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Global Dragnet Behind Iraqi's Arrest

Partial Fingerprint Led Police to Suspect in N.Y. Bombing

By Pierre Thomas and Eleanor Randolph

Washington Post Service

WASHINGTON — A partial fingerprint discovered in a police raid on a cramped Manila apartment last month touched off an intense international manhunt that climaxed this week in the arrest and extradition from Pakistan of Ramzi Ahmed Yousef, the suspected mastermind of the World Trade Center bombing.

Mr. Yousef, 27, was arraigned in federal court in New York on Thursday and pleaded not guilty to 11 counts related to the February 1993 bombing. But U.S. law enforcement sources suspect that the Iraqi national was involved in many other terrorist plots during the last two years, including the explosion aboard a Philippine Airlines flight to Tokyo in December, a plot to assassinate Pope John Paul II during his trip to the Philippines in January and an abortive attack on the Israeli Embassy in Bangkok last spring.

These sources say he also planned to blow up an American commercial airliner in Bangkok earlier this month, but aborted the attack because of tight security at the airport. It was upon his return from Bangkok to Islamabad that he was identified and shadowed by the authorities.

U.S. officials praised the cooperation of the Pakistani authorities, who arrested Mr. Yousef at an Islamabad Holiday Inn on Tuesday and immediately put him on a U.S. government plane to New York.

Mr. Yousef had been on the FBI's Most Wanted List with a \$2 million reward for his capture ever since he fled the United States shortly after the Feb. 26, 1993, World Trade Center bombing, the worst terrorist attack in U.S. history.

The story of how he was caught, pieced together from accounts by more than a dozen officials, is a tale of alleged international terrorism spanning several countries in the Far East, close coordination of U.S. and foreign intelligence and law enforcement agencies and plain good luck.

It began with an explosion in December aboard Philippine Airlines Flight 434 en route from Manila. The blast ripped a hole in the fuselage, killing one passenger and injuring 10.

Several hours after the plane made an emergency landing on Okinawa, a man claiming to represent a radical Philippine Muslim guerrilla group called to take responsibility for the bombing. But because the blast involved nitroglycerine, sources say, U.S. authorities suspected Mr. Yousef may have played a role.

The explosion placed the Philippine authorities on heightened alert. They were particularly concerned because of the Pope's visit, then only a few weeks away. They assumed he would be a likely target and tried to gather all intelligence on potential plots against him.

On Jan. 6, they arrested two Muslim men and a day later stormed an apartment near the papal nuncio's compound. There they found fake security badges for the Pope's visit, diagrams of the pontiff's travel route, bomb-making materials like those used in the trade center explosion — and the fingerprint, that was passed on to U.S. authorities.

Mr. Yousef evaded arrest in Manila and was next spotted in Bangkok, sources said, where he managed to board a flight to Islamabad. The State Department's regional security officer alerted Pakistan and authorities there say they were waiting for

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'Tightest Security Ever' on Flights to U.S.

Alert Follows Discovery of Bomb Cache in Manila Raid

By Barry James

International Herald Tribune

The U.S. government imposed its tightest security ever Friday on airlines flying from several destinations in Europe and Africa after a raid on a suspected terrorist group in the Philippines uncovered bombs and airline itineraries.

A spokesman for the Federal Aviation Administration declined to identify which airports were subject to the stepped-up security. The U.S. State Department said the action was considered sufficient to counter the perceived threat. Foreign carriers flying to the United States were also imposing the measures.

Many of the measures have been kept secret for security reasons and will not be apparent to passengers, but officials said they included body checks, thorough inspection of all hand luggage and tighter scrutiny of checked luggage. Airlines

were also told to scan gels, aerosols and liquids that could be explosives in disguise. In addition, cargo operators were told to tighten security.

A senior administration official said in Washington that the measures amounted to "the tightest security ever put in place."

Such checks have been carried out at Asian airports for several weeks since reports of a plot to assassinate Pope John Paul II in the Philippines led the police in Manila to the headquarters of the alleged Islamic terrorist gang, where gelatinous explosives and airline timetables were found.

The security was extended to other parts of the world after the arrest in Pakistan of the man suspected of being not only the leader of the Philippine gang, but also the mastermind of the 1993 World Trade Center bombing in New York, Ramzi Ahmed Yousef.

Mr. Yousef, 27, was returned to the United States to face

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Mr. Yeltsin talking to reporters Friday during a break in the CIS meeting.

CIS Summit Fails to Agree On an Accord For Security

An Unsteady Yeltsin Reports on Chechnya To Wary Ex-Republics

By Steven Erlanger

New York Times Service

MOSCOW — The leaders of 12 former Soviet republics that now make up the Commonwealth of Independent States agreed Friday to promote "peace and stability" among themselves despite ethnic and economic tensions.

But as usual with the toothless commonwealth, an agreement that was intended to be a binding pact ended up as a nonbinding "memorandum," and it was silent on the question of Russia's war in secessionist Chechnya.

President Boris N. Yeltsin of Russia delivered a report on Chechnya to the gathering, but President Nursultan A. Nazarbayev of Kazakhstan declined to reveal its contents, except to say at a news conference afterwards: "Russian leaders regret the bloodshed" and are working to end the fighting. He added: "We should not allow such things to happen within the territory of the CIS."

Prime Minister Viktor S. Chernomyrdin of Russia said Chechnya was "an internal Russian problem and we have to resolve it ourselves."

Mr. Yeltsin did not attend the news conference after the summit meeting in Alma-Ata, the capital of Kazakhstan, despite plans to do so. Videotape footage of the president taken by Associated Press Television showed him walking unsteadily, supported by two officials. Going up some stairs, Mr. Yeltsin, 63, reached out to the arm of the man on his right to steady himself. He looked pale, sweaty and slightly unfocused, as if he were ill.

The scene, which was not shown on Russian television news, was reminiscent of footage of aging leaders of the old Soviet Union in their last days in office.

Mr. Yeltsin is known to have back and heart trouble, and takes medication for back pain. He has also been known to be a heavy drinker. At the beginning of the Chechnya invasion in December, Mr. Yeltsin spent two weeks in the hospital, without appearing in public, where he was said to be recovering from an operation on a deviated septum.

The last summit meeting of the commonwealth was in October, and it has struggled to define itself around two major difficulties: the economic dependence on Russia of every member except perhaps gas-rich Turkmenistan; and the need to arrange collective security without offending the new sovereignty of members wary of Russia, especially Ukraine. The Commonwealth of Independent States now includes all of the former Soviet republics except the three Baltic nations.

Before the meeting, President Leonid Kuchma of Ukraine told Reuters that he opposed any rapid integration of the states if Russia were to dominate the game. "I am clearly and fully aware that a shapeless organization like the CIS has no future," Mr. Kuchma said. "The experience of the CIS up to now confirms that not a single decision taken is working."

The Russian defense minister, General Pavel S. Grachev, has been pressing for a collective air-defense system, since the previous network was broken up by the collapse of the Soviet Union and the loss of important radar stations. General Grachev said Thursday that a joint system would not mean a "united" armed forces, but could be a first step to one.

He and Mr. Yeltsin also favor creating a unified command of border guards to protect the frontiers of the commonwealth. But that kind of Russian military involvement is exactly what Ukraine, Azerbaijan

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Arafat Seeks U.S. Pressure on Israel to 'Lift Siege' and Salvage Talks

By Clyde Haberman

New York Times Service

JERUSALEM — Frustrated by the lack of progress in Middle East peace talks, the Palestinian leader Yasser Arafat called Friday for U.S. intervention to rescue his negotiations with Israel from stalemate.

Mr. Arafat, who heads the Palestinian self-rule authority in the Gaza Strip, made a similar appeal to Russia and Norway, both of which have been brokers in getting the long-struggling enemies to talk with one another.

But the true focus was the Americans. Ahmed Tibi, a senior adviser to the Palestinian leader, said the immediate goal is to have Washington pressure Prime Minister Yitzhak Rabin to ease a border closing that has kept Gaza and West Bank Arabs from badly needed jobs in Israel.

"The United States should tell Israel to lift the siege, first of all, and also to release prisoners," Mr. Tibi said. "If Rabin can't make a courageous decision by himself, then someone should help him, and the Americans are the ones to do it."

Shaken by a series of Islamic suicide bombings and

wanting to restore a sense of security among its people, Israel for the last three weeks has kept out virtually all Palestinians, notably more than 50,000 low-paid day laborers.

A newly published opinion poll suggests that Israelis overwhelmingly want the territorial closing to last. So even though Foreign Minister Shimon Peres said Friday that he knew the restrictions were inflicting serious harm and hoped they would be lifted "very soon," there was no sign of when that might happen.

The twin issues of Israeli security and Palestinian economic needs have fully eclipsed what the two sides

are supposed to be discussing: how to expand Palestinian self-rule beyond Gaza and the West Bank district of Jericho.

After talks between Mr. Arafat and Mr. Rabin broke down Thursday, a senior Palestinian official said the parties were in a crisis.

While playing down such talk, Mr. Rabin acknowledged that "there were differences" that had to be worked out before he met the Palestinian leader again



A warden greeting ex-inmates Friday at Robben Island, a day before the anniversary of Nelson Mandela's release.

South Africa's New Reality

Whites, for First Time, Fear Loss of Jobs

By Paul Taylor

Washington Post Service

UITENHAGE, South Africa — There was an unusual racial incident at the Volkswagen plant here recently: A union member attacked his head shop steward with a brick. Unusual, because both men are white.

The steward had infuriated some of the hard-liners in his local by recommending that the Iron and Steel Workers Union drop the "whites only" clause from its constitution.

More heretically, he also had suggested that the white employees might eventually have to join the more powerful black-dominated union at the plant if they wanted protection against what white workers all over post-apartheid South Africa feel are growing threats to their job security from economic restructuring and affirmative action.

"I guess I'm sort of considered in the liberal wing of the white labor movement," said the chief steward, Anthony Weidemann, brushing off the attack. He described himself as a former racist and neo-

Nazi who has "seen the light." Many of his members, he said, have not.

The job security issue at VW illustrates how rapidly the racial politics of the workplace have changed in the new South Africa. For decades under the apartheid system, the ruling white minority benefited from legislation that reserved for whites all the best jobs, in both the private and public sector.

These guarantees have fallen away, and so have government policies that were intended to buffer the economy from international sanctions imposed over apartheid. In the auto industry, for example, highly protectionist car import duties of

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AGENDA

U.S. Suspends Peru-Ecuador Sales

WASHINGTON (Combined Dispatches) — The State Department announced Friday that it was suspending military sales, aid and training to Peru and Ecuador in the hope of encouraging a peaceful settlement of a border war between the two countries. Later, Argentina said that it, too, was stopping sales to the countries.

U.S. officials said the move was largely symbolic. The only military aid to either country is \$325,000 to Peru for training military officers.

"It is the policy of the U.S. government to deny all applications for licenses and other approvals to export or otherwise transfer defense articles or services to Peru and Ecuador," a State Department spokeswoman said. Chile and the other three nations are guarantors of a 1942 border treaty. (AP, Reuters)

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An Uncivil Civil Servant Shakes India

By John F. Burns

New York Times Service

NEW DELHI — If a poll were taken to find India's most admired personality, a strong candidate would be T. N. Seshan. And if a poll were taken to find the public figure Indians consider most high-handed, Mr. Seshan would be a probable winner again.

Mr. Seshan is not an actor in Bollywood, the Bombay-based film capital of India. He is not a cricket player, nor even a Hindu mystic of the kind known here as *gurus*. He is, rather, a *babu*, a type every Indian knows but rarely loves: a long-serving member of the country's civil service elite.

Four years ago, with his career in the doldrums, Mr. Seshan took a job once

considered a dead end, as India's chief election commissioner, and set about turning it into a bully pulpit. Now at age 62, he regularly enragers the country's leading politicians and just as regularly delights ordinary Indians by challenging corrupt electoral practices that had become routine.

With a steady flow of directives from his headquarters in New Delhi, Mr. Seshan has demanded that the country's long-floated election laws be observed — by the prime minister as well as by the lowliest ward-healer in Bombay or Bangalore. As if this were not enough to keep him busy in a country with 550 million voters, he has gone beyond election matters, using his position to preach for what amounts to a national moral revival.

"The public in India regards its democ-

cracy as gold, but somebody has put muck in it," Mr. Seshan said on one of his brief stops in his Delhi office, between forays across the country that Indian newspapers follow as closely as those of the prime minister. "Our democracy has become corrupt because our elections have been corrupted. And because our democracy has been corrupted, we have ended up with a culture of cash and criminality."

He is not everyone's hero, however. On a recent trip to Madras, where his disparaging remarks about a long-dead local politician enraged the man's followers, a mob attacked the hotel where he was staying. A recent editorial in *The Hindustan Times*, one of the country's most influential newspapers, described Mr. Seshan as "the Füh-

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Dow Jones		Trib Index	
Up	6.39	Up	0.67%
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The Dollar		Previous Close	
DM	1.519	1.5283	
FF	1.5635	1.5575	
Yen	98.90	98.896	
FF	6.2585	6.281	

Newsstand Prices	
Andorra	9.00 FF
Armenia	11.20 FF
Cameroon	1.400 CFA
Egypt	5.000 FF
France	9.00 FF
Gabon	980 CFA
Greece	350 Dr.
Ireland	2,000 Lire
Ivory Coast	1,120 CFA
Jordan	1 JD
Lebanon	1.50 U.S. M.L. (Eur.)
Luxembourg	60 L.
Morocco	12 Dh
Oman	6.00 Rials
Qatar	6.00 Rials
Reunion	11.20 FF
Saudi Arabia	5.00 CFA
Senegal	980 CFA
Spain	225 PTAS
Tunisia	1,000 Din
Turkey	45,000 L.
U.A.E.	8.50 Dirh
U.S.M.L. (Eur.)	\$1.10

Fight Looms on Scaling Back Federal Regulatory Power

By Gary Lee
Washington Post Service

WASHINGTON — Republican legislators, angered by federal regulations that they claim cost too much to achieve minimal results, are pushing ahead with legislation that could substantially scale back the government's authority to set rules protecting health, safety and the environment.

Under the most contentious provision in the bill, the results of cost-benefit analyses could be used to supersede health or safety requirements mandated in dozens of existing federal statutes, including laws such as the

1990 Clean Air Act and the 1974 Safe Drinking Water Act.

The battle over the bill is part of a larger war taking place in Washington over how government agencies set and enforce regulations. An influential coalition of Republican lawmakers, corporate lobbyists and conservative political strategists, complaining that excessive regulation is stunting growth in industry, is seeking to scale back hundreds of rules created by federal agencies over the past two decades.

In hearings before two House panels this past week, a small group of Democratic legislators fought hard to quash the measure, which appears to threaten much of the regulatory legacy of the

last two decades of Democratic congressional control.

"This is nothing short of an attempt to gut the standards used to protect public health and safety across the country," said Representative Henry A. Waxman, Democrat of California, who helped shape some of the nation's key safety and health statutes.

But Republican lawmakers, determined to realize a long-standing Republican goal of scaling back government intervention, hustled the bill through drafting by the House Commerce and Science committees. They are pushing for a House vote on the measure before the end of this month. "Federal regulation of the private

sector costs \$430 billion annually," Representative Michael G. Oxley, Republican of Ohio, said in a hearing on the issue Wednesday before the House Commerce Committee. "Our nation's resources are being frittered away on minute or exaggerated risks."

The bill, a key plank in the Republican "Contract With America," would require all major federal agencies to conduct extensive risk assessments before issuing new regulations. For any proposed regulation that would cost more than \$25 million to comply with, it would also require a cost-benefit analysis, whose outcome would determine whether the regulation would be issued.

Another heavily disputed provision of the bill would allow private parties to challenge in court the science used to formulate a proposed regulation and whether the costs of existing federal regulations outweigh their benefits. If passed by Congress, the "risk bill" would dramatically scale back the controls over industry currently wielded by numerous government agencies.

The Clinton administration is firmly opposed to the bill, making it the focus of an intense fight between Congress and the White House.

As a first step, Republicans seek a moratorium on all federal rule-making until Congress approves permanent reforms.

Peruvian Dismisses Quito's Call For a Truce

Compiled by Our Staff From Dispatches

LIMA — President Alberto Fujimori of Peru has rejected Ecuador's request for a truce so that both sides can gather up their dead from two weeks of fighting in a disputed patch of jungle on the two countries' border.

In a television interview Thursday night, Mr. Fujimori called the request a ploy by Quito to gain a strategic or diplomatic advantage.

"This is really nothing more than a maneuver on the part of Ecuador to distract attention and to supposedly show itself as more amenable to reaching an understanding," he said. "We will not play this game. The truce will be offered when all Ecuadorian troops are expelled from the area."

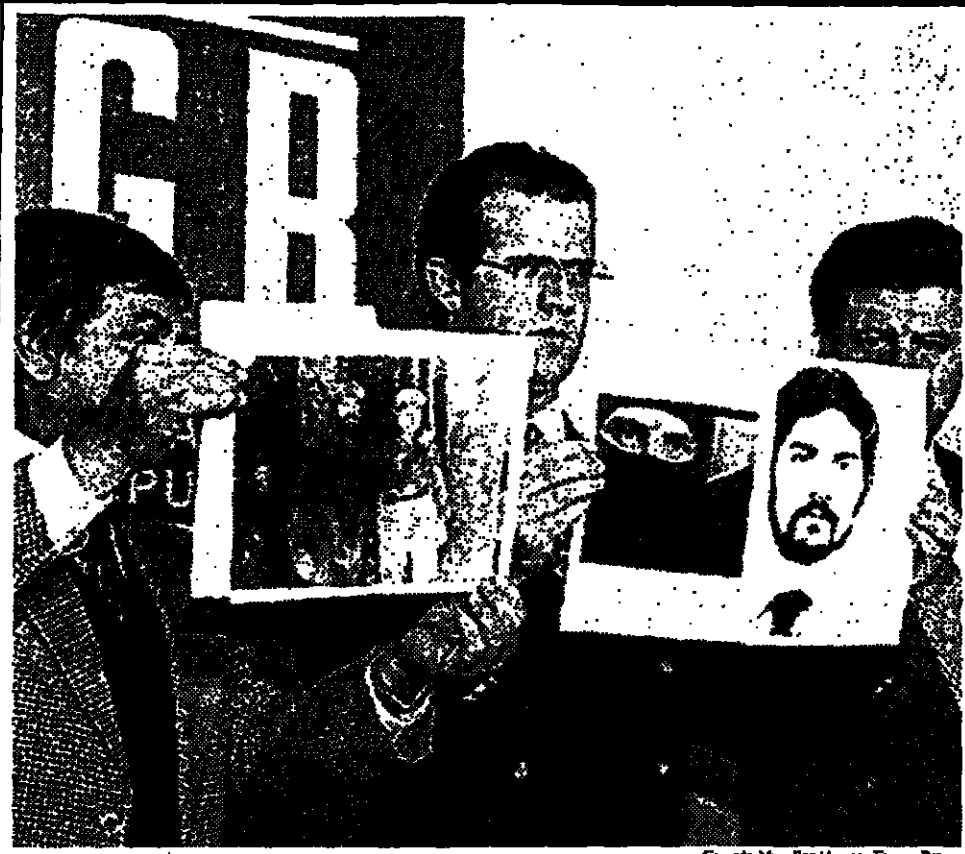
The dispute is over territory along an unmarked stretch of the 1,715-kilometer border, which was set by the 1942 Rio de Janeiro Protocol to end a 1941 war between the countries.

Mr. Fujimori also said his government could handle the financial costs of the conflict. "This will not affect us. Our economy is solid. There is great stability."

Mr. Fujimori said that Ecuadorian soldiers were first spotted moving into Peru along the jungle-covered Cordillera del Condor last October or November, "which is when we began to take precautionary measures."

The heavy fighting along the disputed jungle border prompted Ecuador's president to fly to the front. President Sixto Duran Ballen visited staging areas for military operations and field hospitals where wounded were being treated.

(Reuters, AP)



Mexican officials displaying photographs of the rebel leader Subcomandante Marcos.

Mexico Orders Arrest of Rebels

By Tod Robberson
Washington Post Service

MEXICO CITY — President Ernesto Zedillo has in effect declared an end to government peace efforts in volatile Chiapas state, ordering troops and the police to arrest rebel leaders.

Mr. Zedillo said in a speech broadcast Thursday night that the rebel Zapatista National Liberation Army had established arms caches in Mexico City and eastern Veracruz state, apparently with plans to expand their rebellion beyond the southern Chiapas jungle.

The Zapatistas first attacked government forces on Jan. 1, 1994 in Chiapas. About 145 people were killed in the two weeks of fighting that followed, but a tense cease-fire has been in effect for nearly 13 months.

Mr. Zedillo ordered the arrests of the rebel leader Subcomandante Marcos and four oth-

er Zapatistas amid a economic crisis that has prompted the flight of billions of dollars in foreign investment and the steep decline of the peso. That has led the United States to try to prop up Mexico's finances with a \$50 million package.

[Attorney General Antonio Lozano said one Zapatista leader was arrested Friday, Agency France-Press reported. The rebel leader was identified as Jorge Javier Elorrea, whose position in the rebel movement was not immediately known.]

[Military movements were reported in Chiapas and soldiers took up positions in towns. In Washington, the State Department urged Mexico to exercise restraint but said that the military action would not damage relations.]

Polls have shown that Mexicans wanted the Chiapas conflict resolved quickly, and officials have said that the peace initiative appeared to have bogged down despite government talks last month with Subcomandante Marcos.

Opposition Stiffens To Naming of Foster

A Top Democrat Says He'll Vote 'No'

The Associated Press

WASHINGTON — In a fresh sign of trouble, a leading Democratic senator on Friday called President Bill Clinton's choice for surgeon general a political blunder in the extreme and said he would vote against it. But Dr. Henry W. Foster Jr. said he would press on "in the fight of my life."

Senator Joseph R. Biden Jr. of Delaware said Mr. Clinton should withdraw the nomination of Dr. Foster.

"I'm not going to vote for a nominee where no deep thought was given before the nomination was sent up," he said. Dr. Foster went to the Capitol for photos and meetings with supporters in the House Congressional Black Caucus and the House Pro-Choice Task Force, then went to George Washington University Medical School, where he told students, "I am standing strong."

He also met with representatives of eight medical associations that are supporting him. But in the congressional visit the administration did not attempt to start introducing the Tennessee obstetrician and gynecologist to the senators who would ultimately vote on him.

Since his nomination was announced last week, Dr. Foster has been under heavy attack from anti-abortion groups. Many critics have focused as well on differing accounts he has given of the number of abortions he has performed.

"I believe in the right of a woman to choose," Dr. Foster told the medical students. "And I also support the president's belief that abortions should be safe, legal and rare. The irony of the debate is my life's work has been dedicated to making sure that young people don't have to face the choice of abortions."

Senator Biden's break from the Democratic ranks was a

blow, though more than half the members of the Senate Labor and Human Resources Committee still say they are undecided.

"I have a feeling myself that there's still time to straighten out this mess," said Senator James M. Jeffords, a moderate Republican from Vermont. "I'm ready to go to a hearing."

But on Thursday, Senator Daniel R. Coats, Republican of Indiana, another committee member, urged Mr. Clinton to withdraw Mr. Foster's nomination. He said the litmus test was not abortion but "the truth." The New York Times also called for Mr. Clinton to give up on the nomination.

Senator Orrin G. Hatch, Republican of Utah, also on the committee, said Friday the president could not afford to withdraw Dr. Foster, but "if I were Foster I'd do him a favor and withdraw myself."

On the Senate floor, the minority leader, Thomas A. Daschle of South Dakota, gave a speech in support of Dr. Foster, saying, "It is a shame that his distinguished career and many contributions to society have been clouded by his opponents' attempts to turn his nomination into a debate about abortion."

Dr. Foster said this week on ABC's "Nightline" that hospital records at Meharry Medical College in Nashville indicated he performed 39 abortions, not "fewer than a dozen" he claimed last week. He also presided over a study of an experimental drug that induced abortions in 55 women.

A former chief of staff at the Tuskegee, Alabama, hospital where Dr. Foster practiced obstetrics from 1965 to 1973, said Friday that, because of various records problems, it was impossible to independently verify the number of abortions Dr. Foster performed there.

POLITICAL NOTES



SPEAKER LISTENS — Newt Gingrich, left, chatting with Chancellor Helmut Kohl on Capitol Hill.

Pentagon Budget Under Scrutiny

WASHINGTON — The Defense Department spends millions of dollars a year on breast cancer and AIDS research, on security planning for the Olympics and on housing for Ukrainian soldiers who once guarded the Soviet Union's missiles.

These are just some of the "nondefense" programs that Republicans in Congress are considering removing from the Pentagon's budget so they can use the money for training, research and other traditional military activities.

The Clinton administration is worried that the Republicans, in their zeal to kill the nondefense programs, will wipe out some that Defense Secretary William J. Perry has called "vital to our national defense," including one to clean up toxic chemicals on military bases.

Pentagon officials said in interviews that some of the items that they would happily get rid of include \$325 million for medical research; \$50 million for Small Business Administration loans from Pentagon funds, and \$14.5 million for communications equipment for the Red Cross.

"These are all good programs — they just aren't our job," said the Pentagon comptroller, John J. Hamre. (WFP)

House Bill Seeks to Toughen Prison

WASHINGTON — Continuing the Republican assault on crime, the House on Friday passed a measure to make states keep inmates in prison longer in order to get federal money to build prisons.

The bill also would prohibit federal prisoners from weight lifting or other activities that might increase their strength or fighting ability. In addition, the measure would restrict prisoners' ability to file frivolous suits against their keepers and prohibit courts from imposing limits on the number of inmates in a particular prison.

The House also approved a bill Friday to speed deportation of criminal aliens. (AP, NYT)

Family First in '96, Quayle Says

WASHINGTON — The decision by former Vice President Dan Quayle to forgo a 1996 presidential race was logical even to admirers, who said his troubled image kept him from getting financial and organizational support.

But Mr. Quayle, a day after announcing his decision Thursday, said that his reasons were based on family, not money. He said he believed he could raise the money necessary for a winning campaign.

"I chose not to run to put my family first," he said at a luncheon at Wisconsin Lutheran College in Milwaukee. (AP)

Quote/Unquote

Senator Bill Bradley of New Jersey, after suggesting on a radio program that President Bill Clinton could face a primary election challenge in 1996 and denouncing what he called Mr. Clinton's failure to cut the deficit enough: "Frankly, he should benefit from having people tell him the truth." (NYT)

College President Takes Heat for His Remark on Race

By Dale Russakoff
Washington Post Service

NEW BRUNSWICK, New Jersey — When Francis L. Lawrence took over the presidency of Rutgers University five years ago, he arrived with a reputation as a champion of equal opportunity, having overseen a significant increase in minority student enrollment as provost of Tulane University.

But this week, Mr. Lawrence struggled to save his job as angry student protesters accused him of racism and demanded his resignation because of a remark he made in November that appeared to link low test scores of blacks to what he called "genetic hereditary background."

Mr. Lawrence, who immediately disavowed and apologized for the remarks, insisted that he would not resign.

"I don't think I'm putting my inter-

ests ahead of Rutgers," he said. "I misspoke. I jumbled my words. Every single human being on this earth has done it at least once in his lifetime."

The published remarks, he said, "simply do not represent the way I've lived my life or what I believe." [Students tried to force their way into a meeting room on Friday where the Rutgers University board met to consider Mr. Lawrence's remark about race, The Associated Press reported.]

[Inside, Mr. Lawrence gave no indication he would head calls for his resignation, but repeated his apology.]

On Tuesday night, 150 demonstrators forced the suspension of a basketball game between Rutgers and the University of Massachusetts by sitting in at midcourt; it was the first such suspension that officials of the National Collegiate Athletic Association could recall. On Wednesday, 750 protesters braved subfreezing temperatures at an afternoon rally to demand that Mr. Lawrence resign.

Mr. Lawrence, 58, appealed for the protests to end. "They've made their statements, and now no further disruptions will be appropriate," he said. He said he would try to use the experience to improve race relations on the campus, which has the highest

'I jumbled my words. Every single human being on this earth has done it at least once in his lifetime.'

Francis L. Lawrence

African American enrollment — 14,000 of 47,000 students — of any public research university in the Association of American Universities. Among universities in the association, only the University of Maryland

granted more bachelor of arts degrees to blacks.

Student anger, mostly among minorities, has risen by the day, and on Wednesday, Rutgers was divided between races, generations and students and faculty.

A leader of the student protest, Diab Abdul-Salaam, said at the demonstration Wednesday: "It's sad that in 1995 we still have to resort to sit-ins and protests. Our mothers and fathers did that in the 1960s. Why is it that the only time our voice is heard is when we are angry?"

Governor Christine Todd Whitman also went to Mr. Lawrence's defense, saying he should not resign "at this point in time" and asserting that his record is "quite the opposite" of the words he spoke. "You don't want to lose that because someone said something stupid, if that's what it was," she said Wednesday.

The furor arose from a rambling answer Mr. Lawrence gave to a ques-

tion at a meeting with faculty in November on the issue of post-tenure review of professors. At the time, no one in the audience, which included a number of minority professors, remarked on his statement.

But after a tape of the session was copied and sent to professors around the state, someone gave a copy to the Newark Star-Ledger and pointed out the offending phrase.

Mr. Lawrence made the remark while arguing that standardized tests such as the Scholastic Aptitude Test may be unfair to minorities.

"The average SAT for African Americans is 750," he said at the faculty meeting. "Do we set standards in the future so we don't admit anybody with the national test? Or do we deal with a disadvantaged population that doesn't have that genetic, hereditary background to have a higher average? So you've got to respond from a different direction to the different issues, and they're out there."

Away From Politics

● In its first hard estimate of the scope of radiation testing on human subjects during the Cold War era, the Energy Department said about 9,000 people said about 154 documented experiments. (AP)

● The death rate for blacks in the United States is one of the highest in the industrialized world, according to a report published by the Centers for Disease Control and Prevention.

● For the first time, a study has shown that it is possible to reduce the treatment involves a perilous balance between risks and benefits, and experts say they are not ready to recommend it for widespread use. The medicine is tissue plasminogen activator, TPA, a genetically engineered protein that is already a mainstay of heart attack therapy. (AP)

● The crew of the space shuttle Discovery stowed their gear for a Saturday trip home. (Reuters)

Judge Leads Tour of Simpson's Home

Defense and Prosecution Prepare for Jury's Visit Sunday

The Associated Press

LOS ANGELES — The judge and attorneys in the O. J. Simpson murder trial toured Mr. Simpson's Brentwood estate Friday in advance of a visit planned for jurors.

Judge Lance A. Ito led the group through walkways around Mr. Simpson's mansion, where prosecutors contend Mr. Simpson went immediately after the murder of his former wife and her friend.

The jury's trip, expected to be Sunday, will also include a stop at Nicole Brown Simpson's condominium, where she and Ronald L. Goldman were found stabbed to death.

Accompanying Judge Ito on the tour of Mr. Simpson's estate were Carl Douglas of the defense team, Deputy District Attorney Cheri Lewis and others. No courtroom activities were scheduled Friday, and the trial was set to resume Tuesday after a long holiday weekend.

On Thursday, Mr. Simpson's attorneys presented to the jury instances in which, in their view, the police stumbled in

their collection of evidence. The defense contends that through incompetence, malice or a bit of both, the police rendered some evidence useless.

Mr. Simpson's attorneys showed the jury pictures of the crime scene to demonstrate that the gate to Mrs. Simpson's house had not been dusted for fingerprints. In the process, however, they projected a color photograph of Mrs. Simpson's bloody, crumpled body onto a seven-foot screen.

The defense also aims to persuade the jury that genetic blood tests performed by the prosecution were tainted. The prosecution says the tests — the most incriminating evidence against Mr. Simpson — show that traces of blood at the murder scene were Mr. Simpson's and that traces of blood in his house were Mrs. Simpson's. The defense says the tests cannot be trusted because the blood samples were contaminated or poorly stored by incompetent police officers and badly trained technicians.

As the trial broke for the

weekend, meanwhile, a poll to be published Saturday showed that the racial split over Mr. Simpson's guilt appeared to be growing. The Harris Poll showed that 61 percent of whites believe he is guilty, while 68 percent of blacks think he is innocent.

Nine of the 12 jurors are black, and Mr. Simpson's lawyers have suggested he was framed by a racist detective.



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Herald Tribune

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Pyongyang's Foolish Risk

Isolated and paranoid, North Korea has developed a nerve-racking bargaining style. It stonewalls and threatens until the last minute, then steps back from the brink and deals.

Last year, that style brought an acceptable result. October's agreement with Washington to close down Pyongyang's nuclear program in exchange for safer reactors, additional oil supplies, and steps toward U.S. diplomatic recognition. Both sides have scrupulously abided by the terms of that agreement.

But what worked last year will not necessarily work this year. The October agreement did not formally specify that the new reactors would come from Seoul, but U.S. negotiators insist that was clearly understood by both sides. Now, however, as the date for reaching agreement on details of the replacement reactor approaches, North Korea is stonewalling again, insisting that it will not accept reactors from South Korea. Such brinkmanship could backfire, encouraging Republican opponents of the original arrangement and overturning the deal to the detriment of both sides.

North Korea has been trying for years to drive a wedge between South Korea and the United States. Sometimes with gratuitous help from hawkish South Korean politicians and generals. In recent months, Pyongyang has simultaneously softened its anti-American rhetoric and escalated its war of words against South

Korea's president, Kim Young Sam.

That has left Washington with a difficult challenge. It rightly refuses to undermine its South Korean ally, but just as rightly remains prepared to make deals with the North that serve the best interests of both Korea and the United States.

The Clinton administration has responded to that challenge well. It negotiated directly with Pyongyang on the nuclear issue, but has closely involved Seoul in carrying out the resulting agreement. Besides providing replacement reactors, South Korea is underwriting the pact. Washington has linked improved relations with North Korea to renewed discussions between Pyongyang and Seoul.

It is this delicate balance that North Korea is now trying to upset. It also asked, at last week's negotiating session, for an additional \$500 million to \$1 billion in financing for the deal. Administration diplomats have by now grown used to such maximalist posturing and they doubt that North Korea will go so far as to undermine the nuclear deal. The original plan called only for working out the details of the replacement reactor by April, and another negotiating session is set for next month.

Still, North Korea is taking foolish risks. Last year, brinkmanship did not prevent a good agreement. This year North Korean stonewalling is more likely to unravel that agreement than improve it.

—THE NEW YORK TIMES.

Senator Fulbright's Legacy

Senator J. William Fulbright of Arkansas, who died Thursday in his Washington home at the age of 89, used his chairmanship of the Foreign Relations Committee as a special pulpit for his crusade against American intervention in Southeast Asia. We did not always agree with him then, but respected and still do his insistence on standing up for what he believed. His position on the war in Indochina made him something of a hero to resisters and the young but had, of course, the opposite effect on the presidents conducting that war. Mr. Fulbright's opposition to Presidents Lyndon Johnson and Richard Nixon—especially since it came from that powerful chairmanship—caused him to be held in special contempt at the other end of Pennsylvania Avenue. On the occasion of one particularly antagonistic Fulbright speech on the subject of Vietnam during the Johnson presidency, a staff member announced with false seriousness to all within earshot: "This morning at dawn, the Army Corps of Engineers began dismantling every dam in Arkansas."

In domestic politics, Senator Fulbright, to his great credit, had been steadfast in his opposition to Senator Joseph McCarthy. His record in the Senate on civil rights was something else again: It was dismal. He not only voted against all the laws that in the 1950s and 1960s transformed the country, he filibustered against them in company with some of the worst racists ever to serve in the Senate. Like some of the other Southern senators who knew better, Mr.

Fulbright sought to pay into another account to make up for his failure to act on one of the great moral issues of the time. It was always being said in his behalf that his civil rights position was the price that had to be paid for his foreign policy influence and innovation. But this was a rotten argument. That civil rights position remains a blight on his record.

In a way, the most enduring and positive part of his record concerns the scholarship that bore his name. A man of intellect and academic achievement, Mr. Fulbright had been a Rhodes scholar himself, a professor and, at the age of 34, president of the University of Arkansas. This background, and a firm belief in internationalism, led him in 1946 to sponsor the creation of the Fulbright student and scholar exchange program. More than 100,000 individuals have come to the United States, and more than 65,000 Americans have gone abroad to study and teach as Fulbright scholars.

It was this lasting achievement that was highlighted by President Bill Clinton when he awarded the senator the Medal of Freedom in 1993. This legacy, unlike many of the senator's actions, won universal praise from the start. The exchange program continues as an enduring example of William Fulbright's vision of America as an intelligent, generous partner to other countries around the world. It is a wonderful legacy of the man from Arkansas and a fitting monument to him.

—THE WASHINGTON POST.

A Guide to Virtuous Eating

You know how it is. You go to a restaurant. People to the right of you are scarfing down T-bone steaks and people to the left of you are smacking their lips over duck à l'orange and you say to yourself, "Me, I'm going to be sensible."

So you order linguine with garlic and olive oil because linguine is low-fat and garlic is said to work medical miracles and olive oil does something nice for your cholesterol. The way you see it, you are three steps ahead of the carnivores and more than a few pounds behind them.

Boy, have you got it wrong! According to assorted weight-loss experts and obesity researchers, a high-carbohydrate regimen—starchy stuff like pasta and bread—may be inappropriate for the insulin-resistant, who constitute at least 25 percent of

all Americans, and for the overweight, who are about 33 percent of us. Being insulin-resistant means that your body responds to starches or sugar by overproducing glucose, which in turn causes an overproduction of insulin, which in turn causes more of the glucose to be stored as fat.

As for being overweight, everybody knows what that means. Tight waistbands and perpetual fear of the scales. O.K., so high-fat foods like beautifully marbled beef are out. Simple carbohydrates may be out, too. What is left—and looking virtuous—is are complex carbohydrates, like vegetables. So forget the linguine. Skip on the olive oil. But feel free to go wild with the garlic.

—THE NEW YORK TIMES.

Other Comment

Kobe's Political Aftershocks

When the Kobe quake hit, the only thing to move in Japan was the earth. Prime Minister Tomichi Murayama only learned of the quake from television. Offers of assistance from all over the world were famously snaggled on miles of red tape. The real problem, however, goes much deeper: It goes to the heart of the relationship between Japanese governments and the Japanese people.

Japan's problem cannot be solved with a more efficient bureaucracy. The larger problem is the hubris by which the bu-

reaucraty identifies Japan with itself, typically at the expense of the people. Kenichi Ohmura, founder of the citizens movement Reform of Hiesh, has announced his candidacy for the governorship of Tokyo on the theme "Setting Japan Free." His plan? Devolve power to local governments and citizens. We're not sure how his party will fare. But we're fairly certain that the Japanese people will be receptive to his fundamental message: that the country's political structure is in as much need of repair as Kobe itself.

—Far Eastern Economic Review (Hong Kong).

The French Campaign Could Yet Be a Race

By William Pfaff

PARIS — Inevitability is draining from France's presidential election, which takes place on two consecutive weekends at the end of April and the start of May. The lead in the polls enjoyed by Prime Minister Edouard Balladur has until now seemed invulnerable to any but the candidate who decided not to run, the ex-president of the European Commission, Jacques Delors. Mr. Delors announced in January

Balladur is entering what may prove his time of troubles. He has been too lucky for his luck to be expected to hold.

that he would not run, arguing that support is lacking for the social and economic changes he deems necessary.

Mr. Balladur meanwhile had not put a foot wrong in positioning himself as tranquil keeper of the nation's well-being, as against the agitated candidacy of his "friend of 30 years," his party leader, Jacques Chirac. Mr. Chirac, mayor of Paris, had himself proposed Mr. Balladur for the prime ministry two years ago in the mistaken belief that Mr. Balladur would spare him the wear and tear of that office and then gracefully step aside while Mr. Chirac ran for president.

Mr. Balladur's avuncular, candid and competent management of the government over the past two years instead made him—the new man on the scene—by far the more attractive figure to that half of the French electorate which says that it has decided for whom to vote. In every poll, and against every potential presidential candidate, Mr.

Balladur wins. Mr. Chirac's struggle now is to come in second, so as to be present for the second-round runoff.

He may not succeed. The Socialists have risen from their field of ruins and in a hastily arranged primary vote named as their candidate a former education minister, Lionel Jospin. Mr. Jospin is a figure from the party's moderate wing, untainted by scandal, decidedly not a favorite of President François Mitterrand. Mr. Mitterrand's favorites were repudiated, which strengthens Mr. Jospin's centrist appeal.

So the Socialists now have a respectable candidate who in the first poll following his selection ran ahead of Mr. Chirac, although still losing by a wide margin to Mr. Balladur. Mr. Balladur in turn now enters what may prove his time of troubles. He has been too lucky for his luck to be expected to hold. He may face other centrist or conservative candidates able to divide his following.

Former Prime Minister Raymond Barre, a highly regarded economist without party backing, could declare, and would find centrist or center-left support (and the malicious favor of Mr. Mitterrand). It is possible, though unlikely, that the former president Valéry Giscard d'Estaing would also enter the race.

But possibly more dangerous to Mr. Balladur are the scandals of party and campaign finance besetting all of the major parties during the past two years. He has already lost three cabinet ministers to these scandals, and the prosecuting magistrates are on the track of Mr. Balladur's (and Mr. Chirac's) own neo-Gaullist party. If their investigations should implicate Mr. Balladur or those close to him, Raymond Barre could suddenly find himself in a far more promising position than presently seems the case—and so indeed could Mr. Jospin.

Mr. Balladur also has the boredom factor working against him. His innate pomposity could turn lethal. Until now he has been successful in part because he is boring. He avoids trouble and controversy. He has been criticized by the Anglo-American right, The Wall Street Journal and The Economist, because he (very sensibly) backs away from what he regards as useless battles.

He has actually been very successful in dealing with social conflict. Last year he found himself in trouble over reform of state-owned Air France, and instead of fighting a strike which had wide support, he named a new president for the airline who produced reform proposals accepted by Air France's employees.

The prime minister also got into difficulty over two legislative reforms concerning students and the young unemployed. He backed off and organized a nationwide consultation on what young people really want from government. This produced an extraordinarily high level of response, and the youth front has since been fairly quiet.

The peace may not last, in part because people, especially in France, like their excitement. The unexciting Mr. Balladur does not offer change, only reassurance—and more of the same. If the prime minister does become president one can be reasonably sure that election day will mark the peak of his popularity. It is likely to be downhill thereafter. But he has to get himself elected first, and this is no longer quite the sure thing it had seemed until now.

International Herald Tribune.

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Europe Can Coax Even This Russia Toward Reform

By Daniel Tarsch

The writer is secretary-general of the Council of Europe.

STRASBOURG — "Admitting my country to the Council of Europe at this stage would be sacrilege," Sergei Kovalev, human rights adviser to President Boris Yeltsin, said recently.

He is right. The indiscriminate and disproportionate use of violence in Chechnya has involved blatant violations of fundamental human rights.

An internal affair, says the Russian government.

That is no excuse. A country aspiring to membership in the Council of Europe must respect the European Convention on Human Rights in dealing with its own citizens. Important rules of behavior are also contained in the Code of Conduct of the Organization for Security and Cooperation in Europe, which was approved by Russia only months ago.

The four eminent jurists examining the Russian situation for the Parliamentary Assembly have identified many areas in which Russian legislation and practice are incompatible with the standards of the Council of Europe.

Detailed questions have been submitted to the Russian authorities. The recent extensive answer to these questions—signed by the Russian president, prime minister, and the speakers of both houses of Parliament—is a landmark in the Russian reform process.

At the same time, the Chechen crisis has revealed serious defects in the country's constitutional system and in the leadership's respect for human rights. Against this background, the Parliamentary Assembly of the Council of Europe has suspended its examination of the Russian application.

When will the procedure be resumed? That depends essentially on Moscow. At present, no reliable timetable can be given for the Russian accession.

Peter Smithers, a former secretary-general of the Council of Europe, is skeptical about admitting Russia at all since it is a "conglomerate state" bound to fall apart (IHT Opinion, Feb. 2). "Such political systems are obsolete and unworkable," he writes.

I disagree. While a further disintegration in Russia cannot be ruled out, such a development should definitely not be encouraged. The effect on the stability of the region would be incalculable.

The ethnic groups in conglomerate states do not live neatly side by side, but intermingled on the same territory. Neither should we long for new and smaller states with nuclear arsenals.

Ethnic frictions exist in most countries, but there are remedies at hand: enlightened and generous minority policies and sometimes federal arrangements to allow for a well-defined autonomy.

Such solutions are actively promoted by the Council of Europe through a variety of instruments, most recently the framework convention on the Protection of National Minorities.

Russia in particular has massive needs in developing its federal system and its rules for regional and local self-government.

Russian membership in the Council of Europe is still an important goal. When deciding to suspend the admission procedure, the Parliamentary Assembly emphasized that cooperation and contacts must be maintained.

Europe must continue to support the reform process and the democratic forces in Russia. But this support should be linked to policies, not to persons.

In spite of all the frustrations in Eastern Europe, there are still great opportunities for stabilization through democratic institution-building. A better legal framework is also required to promote economic growth.

European cooperation is crucial in this process. This gives a particular importance to the opening up of the Council of Europe and the gradual integration of these countries into its various cooperation structures. Eleven states have gained full membership in the last five years, most recently Latvia. Seven others are waiting in line: Albania, Belarus, Croatia, the former Yugoslav Republic of Macedonia, Moldova, Russia and Ukraine.

Welcoming these countries presents a great challenge to the Council. Under no circumstances should it lower its ambitions regarding the defense of democracy and human rights. To maintain its credibility and effectiveness with an enlarged membership, it must intensify both its support for the reform efforts and its monitoring of the member states' compliance with the common standards.

International Herald Tribune.



A Dangerous, Unexamined Drift to Nuclear Reliance

By Stephen S. Rosenfeld

WASHINGTON — The United States is going back to the manufacture of uranium. Ask why, and you are told that it is not a proscribed "fissile material" but merely a gas that makes nuclear weapons more explosive and that some of these new weapons are needed to keep deterrence alive and the weapons stockpile well.

Given earnest U.S. efforts to reduce nuclear risks and numbers globally, it would be unfair to conclude from the tritium case that the old nuclear thinking still reigns. But to see the modesty of the changes made so far, we must turn to those who, 50 years after Hiroshima, five years after the demise of the Soviet nuclear threat, are thinking fresh about an alternative nuclear posture.

Here I borrow from "Beyond the Nuclear Peril," a sober report from the Henry Stimson Center: "Air Force General Charles Horner, recent chief of the U.S. Space Command, argued that the 'nuclear weapon is obsolete' and that the United States should eliminate its nuclear arsenal."

Fred Ikle, a Reagan undersecretary of defense, says the United States and Russia could meet their security needs with only a few hundred nuclear weapons each.

General Andrew Goodpastor, former NATO commander, would have nuclear states negotiate down to 100 to 200 weapons each, and then think about lower levels.

Paul Nitze, master of all Cold War seasons, thinks the United States should scale back its reliance on its nuclear deterrent in favor of increased dependence on advanced conventional weapons in a strategic role.

You do not have to be a rocket scientist to grasp why the waning of the Soviet threat is provoking a recalculation by people who were the real "rocket scientists," people who meet high standards of expertise and credibility.

Nor do you have to be a politician to understand why the leaders of the five declared nuclear states, who must deal with constituencies, bureaucracies and Congress, are behind the curve.

The United States and Russia, which ended the Cold War with tens of thousands of warheads, are now getting into START-2 reductions that would still leave each country with thousands of warheads, even while purging the new thinking speak of a deterrent measured in the hundreds and less.

The supposedly seminal nuclear policy review that the Clinton Pentagon concluded in September ended with a cautious tinge: No commitment to reduce strategic arms after START-2; no consideration, despite evaporation of a huge Soviet conventional threat, of adopting a no-first-use pledge; no reach to formulate long-term arms-reduction goals.

A review with the same conclusions might have been conducted

reliance. Its antidote is a broader debate that links near-term steps to an articulated vision of where ultimately American nuclear policy might go. It is not at all clear that Bill Clinton, for one, is ready to open up this issue soon. But Colin Powell, for another, looks to the day when the number of nuclear warheads is "down to zero, and the world is a much better place."

The Washington Post.

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The Washington Post.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1895: China Plans Attack

KAI-PING — There is greatly increased activity in the Chinese camp and strong indication that an attack upon the Japanese lines is imminent. Viceroy Liu has arrived at New-Chiang with a large number of troops. A great deal of firing has been heard there lately, and it is believed that new levies are being drilled. The Chinese forces at Yin-Kao are apparently preparing for some great effort.

1920: Half a Still Life

PARIS — Because a painting at the Salon des Indépendants "worried him all day and caused him sleepless nights," M. Delvigne, a French painter, cut it out of its frame with a penknife and ripped it in two. There was nothing particularly enervating about the picture. It was just a harmless study of a bunch of flowers, but Del-

vigne's act goes to show that it is not so much the painting as the way it's painted that may drive a man crazy. It would perhaps be a wise measure to forbid visitors to the Independent's Salon to give more than a swift glance at certain canvases in which too much indecency has been shown.

1945: A Liter a Day

PARIS — A ten-year plan for cutting down excessive drinking of spirits and other strong alcoholic beverages, but encouraging the consumption of wine is under consideration by the French Government. It is aimed at rationing wine on the basis of one liter daily for workers and half a liter for other people. The plan, proposed by François Billoux, Communist Minister of Health, calls for the abolition of all private distilleries, thus making distilling a government monopoly.

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AMERICAN TOPICS

The Latest in Alchemy Machines: Changing Metal Into Paper Money

People tend to let loose change accumulate — in piggy banks, milk bottles, coffee cans and buckets. Bruce Stenzel of Buffalo, New York, has parlayed this into a \$157 million business.

Continental Coin Processors Inc. leases machines that convert coins into paper currency within minutes for vendors, pay-phone operators, video arcade owners and others who just have too much change on their hands.

This month, the company began introducing self-service sorters, also called automatic coin machines, at banks, where people can deposit change directly into their accounts or get cash.

Continental charges a 1.2 percent commission for processing coins at its warehouse in Buffalo and 5 percent for its self-operated machines.

"We used to carry sacks of quarters into the bank, and they were none too happy to see us," said Randy Bergman, who works for a Buffalo-based video-game operator. There was often a five-day delay in getting the change counted. Now, Continental does it all the same day.

The coin sorters make getting rid of change quick and painless. One bank manager said, "It's fun watching the customers because they act like it's a slot machine. They act like they've won something, even though they're getting back their own money."

Short Takes

A man was put to death by lethal injection in Raleigh, North Carolina, for the rape-murder

of a cheerleader. The man, Kermit Smith Jr., 37, was white. His victim, Wheelie Collins, 19, was black. Smith was the 260th person executed since the U.S. Supreme Court reinstated the death penalty in 1976. Of the 260, he is the second white executed for killing a black. Several civil rights organizations have long maintained that the death penalty is disproportionately applied to black people.

Insensitivity to fat content is a likely factor in obesity, according to a study by the Johns Hopkins University Medical School in Baltimore. Yogurt was served to a test group 30 minutes before lunch. The yogurt had been secretly spiked with varying amounts of fat and carbohydrates. When the test group went on to lunch, people of normal weight who said they never had to worry about keeping their weight down stopped eating when they had had enough calories, counting both yogurt and lunch. Those who were carefully watching their calorie intake, or who already were fat, tended to overeat instead of unconsciously allowing for the yogurt. They didn't sense when to quit.

Maryland's new governor, Parris Glendening, a Democrat, says he wants to take Spiro T. Agnew's portrait out of a storage closet and return it to the walls of the state house. The portrait was removed after Mr. Agnew, a former Republican governor, resigned as vice president and pleaded no contest to income tax evasion in 1973. "I think wars and all, if a person serves, they ought to be there," Mr. Glendening said, throwing syntax to the winds. "People can look at it if they want and say this was a disgrace, but he was governor."

And have a hacksaw handy: Tom Collins of Granada Hills, California, wondered about the pizza he had ordered on reading the directions: "Serving suggestion: KEEP FROZEN."

International Herald Tribune.

Gang Terrorism in East Timor

Residents Say Foes of Indonesia Are Targets

Reuters
JAKARTA — A wave of terror has swept East Timor, with gangs stoning and burning houses and attacking people opposed to Indonesian rule, residents said Friday.

"The situation is out of control," said a politician in East Timor's capital, Dili, speaking on condition of anonymity.

In accounts supported by diplomats, residents said the military was allowing the gangs to operate freely. In recent weeks, the military has killed at least six people it asserted were members of the Fretilin guerrilla movement that is seeking to make East Timor independent from Indonesia.

"At night there are military around and they are doing absolutely nothing, just sitting there and watching the rioting," one resident said.

Military officials said they did not know who was behind the gangs and their activities. A

police chief, Sugianto Andreas, said Friday that a suspected gang member had been arrested.

Speaking by telephone from Dili, businessmen, aid workers and church officials said the Timorese had been too terrified to sleep as carloads of hooded gang members attacked dissidents' houses.

Residents said that on Thursday a gang seriously wounded and then abducted four youths at the house of local aid workers.

The territory's outspoken Roman Catholic bishop, Carlos Belo, has complained to President Suharto. He said he would appeal to the United Nations if the attacks continued.

Western embassies in Jakarta, including the U.S. Embassy, have also told the government that they are concerned about the situation, particularly the killing of six Timorese in January.

The military said the six were guerrillas killed in a firefight in a village west of Dili. But residents said they believed the six were civilians killed by frustrated soldiers.

Other Timorese say that in recent weeks about 30 East Timorese have been shot, tortured or abducted in what they call the worst crackdown in the territory since the so-called Dili massacre of 1991.

Then, troops fired on demonstrators at a cemetery, killing dozens and prompting an international outcry. Since then, diplomats say, Indonesia has been more restrained, trying to avoid further examination of its role in East Timor, a former Portuguese colony that Indonesia invaded in 1975.

But recently, diplomats say, after months of demonstrations in East Timor, Indonesia's sizeable military force there has lost patience.

BABU: A Most Uncivil Civil Servant Is Shaking India

Continued from Page 1
For the Indian poll 'Reich' for his habit of issuing directives that his critics say reach far beyond election statutes. Another Seshan move that has infuriated politicians was

an order to issue a photo identification card to every voter to prevent fraudulent voting, a scourge of Indian elections. He also has issued a flow of directives to enforce laws on election expenses, including a spending limit of \$5,000 per candidate that had been routinely ignored. Some candidates have boasted of the vast sums they have spent to secure their seats.

Mr. Seshan has had to battle the government, which sought to neutralize him in 1993 by appointing two other election commissioners chosen for their fealty. The government backed down when it became clear that left-wing parliamentary groups would combine to block the bill authorizing the move. After that, Prime Minister P. V. Narasimha Rao appeared eager for a truce, and spoke publicly of his admiration for the election chief.

Some critics say that Mr. Seshan's passion for clean politics was not apparent until he was ousted as cabinet secretary — the country's top civil service post — by the left-wing government that took over when Prime Minister Rajiv Gandhi was defeated in 1989. These days, Mr. Seshan speaks with low regard for all politicians, attributing many of the country's ills to the death of idealism, which he says came with the passing of the generation that led India to independence.

He said the transition began with Indira Gandhi, who in 1966 became prime minister, the post held from 1947 to 1964 by her father, Jawaharlal Nehru.

"It represented a transition from a sacrificing group of people to a self-seeking, profit-making group of politicians who were nothing but rentiers," he said. "Perhaps a wealthy country can survive had character in its leaders, but a poor country like India needs people of integrity."

Many top Indian politicians, including Indira and Rajiv Gandhi and Mr. Rao, have been accused of accepting bribes that have made them wealthy. No such charge has been leveled against Mr. Seshan, who drives a decrepit car and does much of his own housecleaning, almost unheard of in a country where servants work for as little as \$30 a month.

His major weakness may be his ego. He routinely refers to himself in the third person and he has a reputation for storming out on audiences if he is heckled, or troubled by persistent reporters.

But he contends that in this, too, he has matters under control. "They say the greatest giants have feet of clay," he said. "So I occasionally look down at my feet, just to be sure that they are still flesh and blood."

MANHUNT: Capture of an Iraqi

Continued from Page 1

Mr. Yousef when he landed in Islamabad last Sunday. U.S. officials say Mr. Yousef was born in Kuwait but travels with Iraqi documents. They believe he received military training in Pakistan from Afghan rebels during the U.S.-sponsored war against the Moscow-backed Afghan government.

The authorities said Mr. Yousef came to the United States three years ago on a valid Iraqi passport but without a U.S. visa. When stopped at New York's JFK Airport, he immediately requested political asylum, and was allowed to enter the country pending action on his application. He quickly became part of a group of radical Muslims.

U.S. May Pay Informer

The State Department is considering paying up to \$2 million to a man who betrayed Mr. Yousef, Reuters reported from Washington, quoting U.S. officials.

The officials said that the informant had claimed an advertised \$2 million reward and that the State Department's diplomatic security division was expected to nominate him for it. The officials would not say if the reward would total the full \$2 million, but one said: "This is a big one."

The officials declined to identify the informant or reveal his nationality, although one remarked: "This guy is no choirboy."

SECURE: Alert on Flights to U.S.

Continued from Page 1

According to U.S. officials, the police who raided Mr. Yousef's hotel room in Islamabad found a suitcase containing two toy cars that were packed with what appeared to be a powerful gelatinous explosive.

Meanwhile, Jim Swire, a spokesman for families of victims of the 1988 Lockerbie disaster over Scotland, said the measures imposed by the Federal Aviation Administration contrasted with the recent decision by the British government to slash its Department of Transport Security Section.

Dr. Swire, whose daughter

was one of 270 people killed in the bombing of Pan Am Flight 103, said safety standards have been severely compromised by the decision to cut one third from the budget of the approximately 100-member section.

The inspectors are responsible for seeing that security measures are properly carried out by domestic and foreign carriers in Britain and at foreign airports from which flights into Britain originate.

Dr. Swire said the hijacking by four Algerian militants of an Air France airliner in December, and reports that they intended to blow it up over Paris, pointed to the need for tighter rather than less security.

ARAFAT: Appeal to U.S.

Continued from Page 1

next week. Whatever the preferred language, there is little question that negotiations are deadlocked.

Israel did not react formally to the call for U.S. intervention, but officials gave it an icy reception, one of them calling it "posturing" by Mr. Arafat. Based on its record thus far, it seemed unlikely that the Clinton administration would plunge into a dispute between two parties that for the most part have reached agreements on their own.

A clearer sense of U.S. intentions may emerge Sunday when Secretary of State Warren M. Christopher is to meet with Mr. Peres and with his counterparts from the Palestine Liberation Organization and the only two Arab countries to have signed peace treaties with Israel, Egypt and Jordan.

On a visit to Japan before he heads to Washington, Foreign Minister Amr Moussa of Egypt warned Friday that peace talks were "almost at the phase of make or break."

The stalemate also shows graphically how, despite the peace agreement signed by their leaders in 1993, Israelis and Palestinians still talk to each other from behind walls of mistrust and misperceptions.

Israeli officials say they understand the Palestinians' economic plight and resentment of what they see as collective punishment. But they add that their security needs come first, and demand that the Palestinian Authority in Gaza work harder to block Islamic radicals.

In turn, Mr. Arafat says he understands Israel's safety fears. But he adds that Israelis must understand his need to appear strong, and when Israel seals off his territory at will, it hardly looks like he is in command.

Although he has not said so, some of his aides charge that Israel is using the security issue as an excuse to freeze the peace agreement in Gaza and Jericho. Israeli officials say that is not so.

But the newspaper Ma'ariv warns of "a vicious circle" that neither party seems able to break.

"If Rabin doesn't help Arafat prove to the Palestinians that peace pays off, Arafat will not be able to gain control over the opponents of peace," it said this week in an editorial. "But if Arafat will not succeed in overcoming the terrorist organizations, Rabin will not be able to help him."

CIS: Summit Can't Agree on Trade or Security Issues

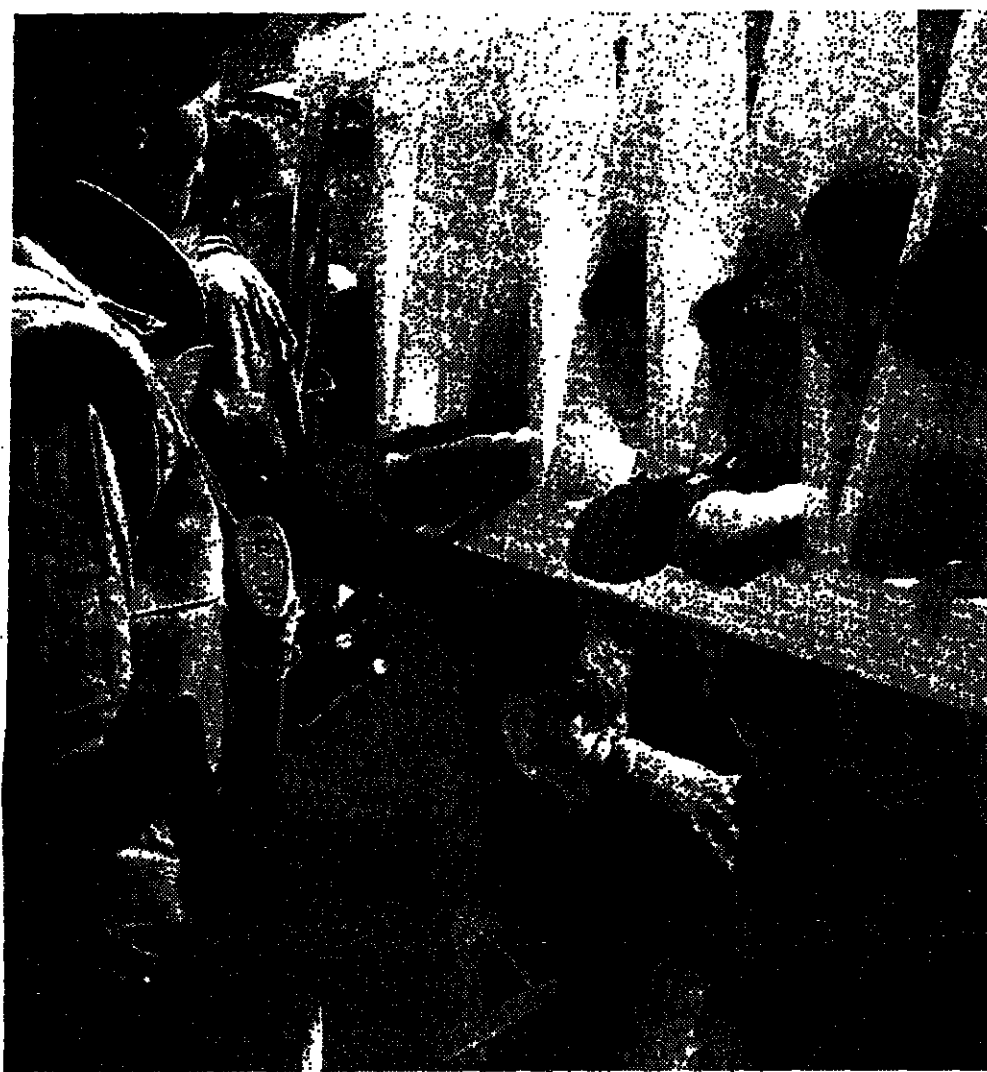
Continued from Page 1

and some other members do not want, and it went unresolved Friday.

"Russia is still insisting on being the sole guarantor of peace in the post-Soviet geopolitical space," wrote Liana Minakyan in Nezavisimaya Gazeta. "But now its right to act as a peacekeeper in other countries' armed conflicts may be subject to doubt in the context of the Chechen events."

The foreign minister of Ukraine, Hennadi Udovenko, said the "Memorandum on Peace and Stability," originally proposed as a pact by Mr. Nazarbayev, was not binding but called on the signatories to "adhere to certain principles in their mutual relations."

"It doesn't hurt to be reminded once again that there are



Palestinians being barred by Israeli soldiers from entering the Hebron mosque Friday.

UNIONS: Whites Are Facing a New Reality on Jobs

Continued from Page 1

115 percent were reduced to 80 percent last year by the new, democratically elected government and are headed down to 60 percent this year.

As a result, South Africa's heavy industries are in the midst of a painful downsizing just as the country is going through a difficult political transformation. VW has shed 15 percent of its 8,400-member work force in two years and is committed to eliminating from its production line a layer of managers — whites. It is also accelerating a seven-year-old affirmative action program that "so far has been disappointing," according to the VW employee relations manager, Judy Parfitt.

White unionists thus face a double whammy. Some, such as Mr. Weidemann, say their only salvation lies in joining forces with the black labor movement. But white unions have always been hotbeds of anti-black reactionary politics, while black unions have always been at the

cutting edge of the anti-apartheid struggle.

"They spent decades distancing themselves from us, and now that they are under threat they come running to us," said Shadrach Williams, a shop steward for the National Union of Metalworkers of South Africa, the black-dominated union that represents the vast majority of workers at VW and throughout the country's economically troubled auto industry.

Although many of its members are skeptical about the potential recruits, the union's policy is to woo them. At VW, the union is the bargaining agent primarily for the company's hourly paid work force; it represents only a small fraction of salaried supervisors, most of whom are whites. It is eager to expand its base, especially following a costly six-week strike last year, which it settled for just a bit more than was on the table when it walked out.

For whites, the calculation is more complex. In the past, ra-

cial exclusivity and economic self-interest were synonymous for whites. Now they have begun to diverge. In the gap, confusion reigns and bricks fly. "What kind of protection would I ever get" from the National Union of Metalworkers of South Africa? asked Cona Stefan Schoeman, an engineering artisan at VW who earns the top nonsupervisory salary of \$9.50 an hour. "Of course they would take care of the black guy first."

As Mr. Schoeman sees it, blacks and whites have fundamentally different economic interests, especially when it comes to strikes. "I can't afford to strike," he said. "After a few weeks, I'd lose my car and my water would get cut off." Blacks, he said, "don't have as much, so they don't miss the money."

But Mr. Schoeman acknowledged that he felt a need for more economic protection. He is deeply pessimistic about his prospects in the new South Africa. "I'm 30 years old, and the best part of my life is behind me," he said. "I'll never get a better job at VW; they're all going to blacks now. If I lose my job here, I'll never find another one as good."

He said he expects the country to move further toward a policy that he describes as "reverse apartheid" once President Nelson Mandela, 76, passes from the scene. "These are the good five years for whites," he said, laughing bitterly. "The black workers here are already telling me: 'Just wait. After Mandela goes, you whites are really going to be in trouble.'"

If he had the means, he said, he would emigrate tomorrow with his wife and two young sons. Not all white unionists are so fearful. Jacqueline Coetzee, a comptroller at VW, also has two young children, but she sees a bright future for them. In the five years she has worked at VW, she said, "racial attitudes have improved tremendously. It used to be you could feel the tension at work every day."

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A SIGN OF THE TIMES — A Taipei city official taking down a portrait of President Chiang Kai-shek on Friday in compliance with an order from the newly elected mayor that all portraits of the late generalissimo and his son, Chiang Ching-kuo, be removed.

Bureaucrats Blocking Murayama

TOKYO — Japanese bureaucrats, who faced heated criticism for tying up earthquake relief with red tape, also have blocked the prime minister's attempt to streamline the government.

A watered-down reform plan, which was being finalized early Saturday morning, was expected to be a further blow to Prime Minister Tomiichi Murayama, who has resisted calls to resign for his inability to take charge during the quake. Critics have said many of the nearly 5,300 who died in the Kobe quake could have been saved if the government had responded sooner.

Mr. Murayama has staked his administration on his ability to cut waste at 92 governmental corporations, which many critics say function largely to provide cushy jobs for bureaucrats after they retire. He set a deadline of Friday for the government to pass reform measures. But early Saturday, his cabinet was still wrangling over details of a plan that bureaucrats had clearly ensured would not do much to cut government excess.

A Khmer Rouge Leader Defects

PHNOM PENH — A senior Cambodian national security official confirmed on Friday the defection of Sar Kim Lamouth, one of the most senior Khmer Rouge officials ever to desert the insurgent faction.

Mr. Lamouth, the Khmer Rouge's equivalent of a finance minister and a member of the central committee, came over to the government side in early November, but his change of allegiance had been kept secret. Mr. Lamouth has complete knowledge of all Khmer Rouge financial dealings, including those with Thailand, said the official.

The latest issue of the Far Eastern Economic Review quotes Mr. Lamouth, in his 50s, as saying that the Khmer Rouge political hierarchy was in disarray because hard-liners favoring a continuing armed struggle had now gained the upper hand.

Rao Picks New Foreign Minister

NEW DELHI — Prime Minister P.V. Narasimha Rao named his new cabinet on Friday, shifting a political ally, Pranab Mukherjee, to foreign minister and bringing in a free-market advocate to lead the Commerce Ministry.

Mr. Rao brought in six new ministers or junior ministers in a limited reshuffle aimed at plugging holes in the cabinet and building up his political defenses in the face of mounting dissent in the governing Congress (I) Party.

In a signal that Mr. Rao will continue his economic reforms, he retained Mamohan Singh, architect of the government's three-year-old liberalization program, as finance minister. P. Chidambaram, an economic liberal who was part of Mr. Rao's original team before quitting in 1992, returned as junior commerce minister in what political analysts said was a sure sign that the reforms would move ahead.

Afghan Rebels Lose Stronghold

ISLAMABAD, Pakistan — A major stronghold of the Islamic Party trying to topple President Burhanuddin Rabbani fell Friday to guerrillas of the Taliban movement, diplomatic and Afghan sources confirmed.

The fall of Maidan Shahr, 30 kilometers (20 miles) from Kabul, is a major upset for Gulbuddin Hekmatyar, the Islamic Party leader. It opens the way for the Taliban fighters to attack Mr. Hekmatyar's headquarters at Charasayab.

The Taliban fighters, who have vowed to take the capital, emerged on the Afghan political scene several months ago and now control eight provinces in the south.

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Unweaving the Threads of Byzantine Arts and Cultures

LONDON — Certain names are charged with such evocative resonance that no one thinks of questioning their validity. But as visitors wind their way through the show "Byzantine Treasures of Byzantine Art and Culture," on view at the British Museum until April 23, many may wonder whether a single denomination makes sense to describe such a disparate assemblage. What is on view disproves the concept of

SOURIN MELIKIAN

"a" Byzantine art or culture that exists largely by virtue of an outdated colonial approach to history.

When Constantine defeated his foe Licinius in 324 and became sole emperor, setting up his capital in Byzantium, renamed Constantinople (now Istanbul, in present-day Turkey) six years later, he founded an empire that extended from Italy to Palestine and Egypt. Many cultural entities were included in his domains, with little in common — the use of Greek as a lingua franca was no more a unifying link than Latin in Western Europe.

On the contrary, an explosion of cultural diversity followed the foundation of the empire. On the Italian peninsula, artistic transformation accelerated after a long period of stillness. A banquet scene carved on the fragmentary lid of a sarcophagus of the fourth century, features characters in stylized expressive postures. They all have similar soft smiling faces, closer to the art of the Middle Ages than to that of third-century Rome — gone is the concern for detailed realism.

One surmises tensions between the past and the present. There were flashbacks to distant antiquity. In a small sculptural group, Victory, represented as a draped woman towering, bare-breasted, above a puny prisoner, looks like a souvenir shop reduction of the Venus de Milo, earlier by 700 or 800 years.

Even revivalist works were not immune from the contamination of modern aesthetics. Two figures of seated women personifying cities were dug up in 1793 as part of a silver board at the foot of the Esquiline Hill in Rome. The silver plate bears monograms suggesting that it belonged to a family holding high office in fourth-century Rome that had not gone over to Christianity. Yet, the monogram of the figures is conservative. Yet, their big staring eyes do not look Roman. They betray the impact of a new world in the making.

Meanwhile, unrelated developments were taking place in the Near East. The contrast could not be greater between these slightly manneristic silver figures and the hieratic dignity of a draped woman carved in high relief by an Egyptian artist. The fourth-century limestone figure is "said to come from Oxyrhynchus," known as El Bahassa in Arabic. The Briton Flinders Petrie and the Italian E. Breccia both worked on the site — sloppily. In the catalogue's words, "It seems that both were excavating in a necropolis which may have remained in use from the pagan into the Christian period." Alas, we do not know which is which. The examples excavated by Breccia "largely lack precise find spots." In short, this amateurish quarrying of works of art destroyed the context. Was the draped figure the work of a Christian? Or of a follower of the ancient creeds, dismissed as "pagan" in the catalogue? The question, with cultural implications, cannot be answered.

Similar haziness surrounds a fascinating high relief of "Leda and the Swan," also from Egypt. The sense of detachment it displays in the handling of the nude figures and in the unique iconographic variant of the swan pinching Leda's bottom has a medieval pithiness. Christian? "Pagan"? Or, who knows, the work of some Gnostic? Here, too, the answer might have been provided by a site that was savaged in the 19th century. E. Neville and T. Hayter Lewis unearthed related sculptures at Ahnas from a structure that Neville "identi-

fied as a church but which could well have overlain a pagan funerary chapel," the catalogue notes.

Similar losses plague another key phase of Egyptian history, that which led from Christian to Islamic culture. A remarkable pottery bowl acquired by the British Museum from a Cairo dealer in 1927 and never shown or reproduced since then is in the show. Painted with animal scenes on a creamy slip, it is given a fifth- or sixth-century date and not discussed further in the catalogue. Yet, looked at from the perspective of Islamic art in Egypt, it is a sensational discovery. The bowl reveals the existence of pottery decorated in a painter's atelier. This is shown by the fine parallel black strokes executed with the tip of a brush imitating a reed pen and by the combination of red and black, widely used in manuscripts as far east as Sogdiana and Turkestan. The animals and stylized plants anticipate those on luster-painted pottery in Fatimid Egypt. Even if the bowl is later by 200 or 300 years than is stated in the catalogue — little is known for sure about this so-called Nile silvers — it suggests continuity from Coptic to Muslim art to a greater degree than is acknowledged. Alas, a chronology of silvers has yet to be worked out.

WHEN the individual stages of an itinerary are so poorly known, the cultural journey as a whole cannot be mapped out. The same remark applies to art in the heart of the Byzantine Empire. Surprising, the history of sculpture in Constantinople often eludes us.

Take a long marble panel carved in low relief with eagles, which was acquired from Constantinople in 1924. Considered to date from the 10th century, it poses a riddle that is not mentioned in the catalogue. The stylization of the eagles of the formal "vegetation" is paralleled in seventh- and eighth-century silver from Iran. The link that springs to the mind is Geor-

gia in the Caucasus, where 10th- and 11th-century woodwork, stonework and silver retained Iranian features long after these had disappeared from Iran. Did Georgians work in Constantinople, as some sandstone sculpture to be seen in Istanbul suggests? Perhaps. Probably. But the hypothesis needs to be substantiated.

EVEN the simplest, broadest questions relating to evolution remain unanswered. An account of the emergence of the admirable school of carving in 10th- to 11th-century Constantinople has yet to be given. An abyss separates its rigid, elongated figures, such as the famous ivory Virgin Hodegetria, now in the Victoria and Albert Museum, from the classical balance and serene bias of small 14th-century sculpture, say the little British Museum steatite icon of the Virgin and Child. The evolution from one to the other remains to be analyzed.

Painting raises as many questions when looked at in terms of cultural evolution. How did the painters of timeless canonical icons ever come to execute such individualized portrait as the icon of St. John the Baptist bought by the British Museum in 1986? The masterpiece dates from about 1300, the catalogue says. It was to take Italy another 150 years to produce such penetrating psychological studies.

Add the mystery of the enamels often credited en masse to Constantinople, when so many came from Georgia. It is the case of a pendant reliquary in the British Museum, as a Georgian inscription demonstrates. In style, the 12th- to 13th-century medallion is paralleled by others in Georgia. David Buckton, the great British Museum enamel specialist, writes that it was made in Thessaloniki. St. Demetrius, he notes, was specially revered there. But so was he in Georgia. Visually disconcerting, this show, in which no pattern is discernible, is intellectually intriguing. It should not be missed by anyone gripped by the multiple cultures of the Eastern lands of Christendom.



Icon of St. John the Baptist, from Constantinople, circa 1300.

Tina Modotti: Portrait of an Elusive Photographer

By Ken Shulman

REGGIO EMILIA, Italy — Were it not that her 1925 photograph "Roses" sold for \$165,000 at Sotheby's in 1991 — the highest price a photograph had ever fetched on the open market — the life of Tina Modotti might have dissolved into oblivion. Instead, the record sale thrust her back into the limelight, nearly 50 years after her mysterious death, spawning a series of exhibits and publications.

"Tina Modotti: The Years Of Light" is the title of the latest Modotti exhibition, which was recently at the Teatro Valle in Reggio Emilia and which will reopen at the Italian-Latin American Institute in Rome on Wednesday. Curated by Piero Colussi and Gianni Pignatelli, the show begins with Edward Weston's portraits of Modotti and continues with more than 100 of Modotti's own works, providing an objective — perspective on this elusive figure.

Tina Modotti was born on

Aug. 17, 1896, in the town of Udine in the Friuli region in northern Italy. In 1913, she joined her father and sister in San Francisco, where she worked first in a silk factory and later at home as a tailor. Two years later, she met the poet and painter Roubais de L'Abrie Richey — known as Robo — and followed him to Los Angeles, where she became his lover and probably married him.

Robo's studio was full of artists, writers and intellectuals. "I tried to acquire a bit of culture, even if modest," she later told another companion, Vittorio Valdi. "I listened to the others talk of Nietzsche, Freud and other names that now escape me."

While in Los Angeles, she acted in three movies, and posed for several of Robo's friends, including Weston, who would become the most important influence of her life.

In 1923, Robo died during a voyage to Mexico. Modotti went to reclaim the body, and organized a wildly successful exhibit of Weston's photography in Mexico City. It was an excit-

ing time in Mexico, a ferment of political and intellectual renewal. Mexican artists were enlisted to help rediscover the country's ancient culture and reinvent its identity.

After a brief return to Los Angeles, Modotti went back to Mexico with Weston and his oldest son, Chandler. It was in Mexico that Weston would shoot the series of stunning nudes of Modotti lying in the sun on their terrace that are among the highlights of the show. Mexico was also where Weston would give Modotti her first lessons in photography.

"She wants to learn photography," wrote Weston in 1923 to his wife. "And she is very good. She doesn't have any desire to return to acting, and the photography could make her, in a certain sense, independent."

PHOTOGRAPHY not only made Modotti independent, it made her an artist. Her early photos evince an obvious debt to her mentor. From Weston, she absorbed the new American mode of reproducing sharp, focused images shot in dramatic contrast. Yet unlike Weston, who returned to America in 1925, Modotti absorbed myriad influences from her travels in Mexico, from the murals of her friend Diego Rivera — who also depicted her nude in his mural at Chapinigo — to the scenes of suffering and struggle that she witnessed among the *campesinos* and laborers. In the roughly 200 photographs she produced in just seven years of activity, there is a political and social awareness that is lacking in Weston's work.

"Modotti's art," wrote Rivera in an article following a joint exhibition by Modotti and Weston in Guadalajara in 1925, "is probably more abstract, more ethereal, and perhaps more intellectual than Weston's."



"Hands Resting on Shovel" by Modotti, 1926.

Modotti became increasingly involved with the radical political movement in Mexico, joining the Mexican Communist Party in 1928, and began publishing some of her most dramatic photographs in leftist magazines like *El Machete*. That year, she met the Cuban revolutionary Julio Antonio Mella, and became his companion until he was assassinated — while walking at Modotti's side — the following year.

In 1930, the Mexican president, Pascual Ortiz Rubio, was the victim of an attempted assassination. Along with other leftists, Modotti was imprisoned for 13 days, and then given a few hours to leave the country. She boarded a steamer for Amsterdam, and through

the Dutch Communist Party obtained a visa for Germany. She spent only a few months in Berlin — shooting her last photographs — before moving to Moscow.

In Moscow, she worked as a translator for the Comintern, and made trips to Poland, Hungary and Romania, while working feverishly for the International Red Aid. In July 1936 she enrolled in the fifth regiment of Republican Spain, working as a nurse and Red Aid activist under the nom de guerre of Maria. With the fall of the Republic in 1938, Modotti became a refugee, and boarded the Queen Mary in France for the United States. Identified on board, she was refused entry to the United States because of her Communist activ-

ities, and returned instead to Mexico, where her expulsion had been annulled.

Broken and dispirited, Modotti lived in shadows during her final years in Mexico, working occasionally as a translator and carefully avoiding contact with companions from her earlier, happier Mexican season. On New Year's Eve in 1942, she accepted an invitation by the poet Pablo Neruda to a dinner party. Six days later she was found dead in the back seat of a taxi at the age of 46.

She is buried in Mexico City, with the first lines of a poem Neruda composed for her engraved on her tombstone.

Ken Shulman is an American writer who lives in Italy.



Tina Modotti in San Francisco, around 1920.

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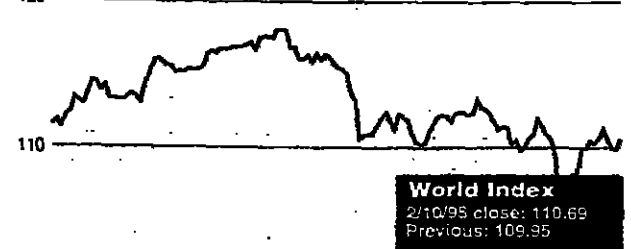
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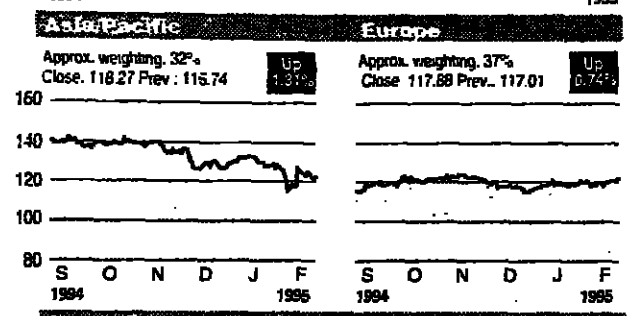
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The index tracks U.S. dollar value of stocks in Tokyo, New York, London, and Amsterdam, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, Finland, France, Germany, Hong Kong, Italy, Mexico, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, and Venezuela. For Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization, otherwise the ten top issues are tracked.



Approx. weighting: 32% Asia-Pacific, 37% Europe, 25% North America, 6% Latin America. Close: 110.69 Prev.: 109.35. Close: 110.69 Prev.: 109.35. Close: 110.69 Prev.: 109.35. Close: 110.69 Prev.: 109.35.

For more information about the index, a booklet is available free of charge. Write to Trib Index, 181 Avenue Charles de Gaulle, 92021 Neuilly Cedex, France.

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U.S. Data Signal Inflation

Rate Fears Hit Dollar and Bonds

By Lawrence Malkin
International Herald Tribune

NEW YORK — The government Friday reported subdued but persistent wholesale price inflation in January, making the markets worry that the Federal Reserve probably still has not finished raising rates to slow the economy.

On the surface, things looked better than expected. Last month's producer price index rose 0.3 percent, an improvement on December's revised rate of 0.4 percent. Core inflation, which excludes food and energy prices, was 0.2 percent, also better than the 0.3 percent rise recorded for December. Automobile prices rose only 0.1 percent, after a 0.4 percent rise in December.

The report shook the bond market, which was weighed down with \$40 billion of government securities bought at auctions this week. The new bonds were bought in the expectation that economic growth would slow, interest rates would stabilize, and bond prices would therefore rise.

When traders and analysts began digesting subsidiary statistics in the report that hinted at price pressures on raw materials and intermediate goods, the bond market lost its initial gains.

After first jumping by half a point — about \$5 on the value of a \$1,000 bond — the price of 30-year Treasury bonds began to drop. The price of 30-year bonds finished down 15 1/2¢ at 99 16/32, pushing the yield up to 7.67 percent from 7.63 percent Thursday.

The slump in the bond market was also reflected in the price of 10-year Treasury bonds, which fell 1/8¢ to 101 1/8¢.

See **ECONOMY**, Page 8

Yet Again, Agee Is Jilted

Morrison Knudsen Fires Glamorous CEO

By Diana B. Henriques
New York Times Service

SAN FRANCISCO — It was 1980, and William Agee and Mary Cunningham were playing leading roles in the business world's steamy soap opera.

He was the young, fast-rising chairman and chief executive officer of Bendix Corp. She was his smart young executive assistant. In two years, she rose to vice president, was forced to leave the company and became Mrs. Agee.

Mr. Agee, meanwhile, attempted a takeover of Martin Marietta Corp., a messy fight that presaged the merger battles of the 1980s. He ended up losing his job and his company.

Then in 1988, came the chance to return to his hometown of Boise, Idaho, and rescue Morrison Knudsen Corp. The opportunity seemed ideal, allowing Mrs. Agee the "normal life" for which she had yearned.

But now they are once again caught in the harsh spotlight of corporate politics. Mr. Agee was fired Friday, succeeded by William Clark, 63, a former secretary of the interior, national security adviser to President Ronald Reagan and California Supreme Court justice.

The ouster came after a board meeting here, during which Mr. Agee was criticized by some directors who say his free-spending style and mismanagement have hurt the company.

The market appeared to approve of the dismissal. In trading Friday on the New York Stock Exchange, Morrison Knudsen shares rose 6 1/2 cents to close at \$10.25, though still far below the stock's 52-week high of \$29.625, recorded in April.

What is unfolding shows that for all the warnings issued by investors and regulators to the boards of corporate America, it is all too easy for a celebrity businessman to dazzle

his board and promise more than he can deliver, to the ultimate disappointment of shareholders, employees and customers.

Mr. Agee's last six years as chairman and chief executive of the giant construction and rail-equipment company have been anything but tranquil. After some early success, Morrison Knudsen's stubborn problems resisted his turnaround effort.

He sought big construction projects, like an upgrade for Amtrak and a high-speed rail in Texas, only to watch profits from contracts shrivel.

Big jobs, like high-tech train cars that have been ordered by the Metro-North Commuter Railroad in New York, have been so troubled that the Metropolitan Transportation Authority in New York and the company have exchanged angry correspondence.

Along the way, senior executives resigned or were dismissed, morale sank, and salaries were frozen.

The Agees' lifestyle, however, seemed unaffected. Mr. Agee's annual compensation has ranged from \$1.2 million to \$2.4 million, and some critics say he regularly evaluated company transactions to determine how they would affect his bonus.

He and his wife used the company jet so much that the Internal Revenue Service argued that the value of those trips should be reported as taxable income.

From the first, there were questions about the way the Agees used the company for their personal benefit. For example, in 1991, when the company needed graphics rushed through for the bidding on an important job, employees found that the graphics department was too busy, according to a senior officer of the company at the time. Its employees were making life-sized unicorns for an Agee birthday party.

Mrs. Agee recast the company's foundation

See **AGEE**, Page 8

Toyota's Profit Jumps for First Time in 5 Years

By Steven Brull
International Herald Tribune

TOKYO — In a sign that Japanese automakers are beginning to escape the effects of a strong yen and domestic recession, Toyota Motor Corp. reported a ninefold surge in operating profit Friday, a better-than-expected showing and the first increase in five years.

Cost-cutting and buoyant North American sales raised the parent-company operating profit of Japan's biggest automaker to 87.15 billion yen (\$881 million) for the six months ended Dec. 31. Net profit rose 74 percent, to 68.53 billion yen, even though sales gained just 2.1 percent, to 4.07 trillion yen.

The performance provided evidence that Toyota had learned to cope with the sharply higher currency through streamlined manufacturing and increased overseas procurement and production.

Executives boasted that the company had slashed 70 billion yen in expenses during the period by reducing the number of models produced and using more common parts in different models. They said 40 billion yen more would be cut by March.

In what could be bad news for Toyota's foreign competitors, productivity gains achieved by streamlining will be joined by economies of scale as the Japanese market continues a cyclical recovery begun eight months ago. Spurred by income-tax cuts and a flurry of new models from domestic makers, industrywide sales in Japan in 1995 will grow 8 percent, to 5.3 million units, Toyota said.

"Reducing costs in new cars is a cumulative process, and we see no limits," said Ryuzi Araki, a director in charge of finance. "The more efforts are made, the more costs can be reduced."

Toyota, with a 31 percent domestic market share, is the biggest, most efficient and most profitable Japanese automaker. Some of its domestic rivals are not faring as well, notably Nissan Motor Co., the No. 2 Japanese carmaker, which is headed for a loss of more than \$1 billion in the year ending in March.

Still, the turnaround in profit for Toyota points to a gradual comeback for the Japanese motor industry that will mark the end of a competitive hiatus for

automakers in the United States and Europe.

Shielded from Japanese competition by the strong yen, which forced Japanese companies to raise sticker prices, Western companies were able to make investments that yielded improvements in quality and efficiency. In the past year, they also have begun to enjoy a surge, albeit from extremely low levels, in the number of exports to Japan.

Although the influx of foreign vehicles into Japan is expected to continue, it is increasingly apparent that Japanese automakers are recovering as competitors — even when exporting from Japan. Despite an appreciation of roughly 3 percent in the yen against the dollar, for example, Toyota boosted exports by 8.7 percent to 738,078 units during the period — a major contributor to higher operating income.

For 1995, Toyota projected exports would slide 17 percent because of stepped-up production in the United States. But analysts said exports were likely to remain robust.

"This shows that the Japanese automobile industry is on pace to recovery," said Peter Boardman, an analyst at UBS Securities. "People have been talking a lot about the dramatic recovery of the Big Three in the U.S., but Toyota is setting a new standard every year in terms of quality control and consumer happiness."

Toyota forecast that continued cost reductions, higher domestic sales and an increase in overseas production would help bolster profit.

The company raised its profit forecast for the full year, saying operating profit would reach 160 billion yen instead of the 120 billion yen it had expected.

Starting this year, Toyota is changing its financial year to end in March rather than June. The company also plans to triple production in North America and raise output in Southeast Asia and Europe. In addition, the company has proposed building an engine plant in China, estimated by analysts to be worth at least \$1 billion.

Although the company has beaten back some of the strong yen's pernicious effects, Mr. Araki said they would never be vanquished so long as the yen was overvalued relative to purchasing-power parity.

Sega Blasts H.K. Piracy Fine

Compiled by Our Staff From Dispatches

HONG KONG — Sega Enterprises Ltd. on Friday attacked Hong Kong authorities for not jailing a man who had pirated the Japanese video game maker's consoles.

A Hong Kong district court on Thursday fined Chiao Hsi-

ying, a partner with Argo Electronics Co., 256,000 Hong Kong dollars (\$33,117). He had been caught shipping to Taiwan 1,800 Chinese-made fake Sega game consoles valued at four times the fine. Mr. Chiao said he would pay up in just three months.

"Counterfeiting of video games is as profitable as smuggling drugs and is less risky," Kiuchi Nishikura, Sega's general counsel, said Friday. "Such a big pirate has to go to jail, otherwise he will just keep doing it."

The Hong Kong government came under attack last weekend by the United States for not stemming the flow of pirated goods from China.

"Most of the counterfeit production in China goes through Hong Kong," Mr. Nishikura said. "It's a main gateway." Fakes accounted for 95 percent of the games sold in China under the Sega name and half those sold in Hong Kong, Mr.

Nishikura said. He added that several pirate factories in China were shipping fake Sega products as far afield as Russia and South America.

Sega said counterfeiters had ruined the Hong Kong market for its latest blockbuster game, Sonic and Knuckles.

Loo Shih-yann, another Sega lawyer, said the company estimated it had lost 50 percent of its world sales, and 70 percent of its Hong Kong sales, to pirates.

Hong Kong trade officials said Friday that tougher sentences for convicted pirates were being written into law.

In another development, the government announced Friday it had seized about 2,000 pirated compact discs worth \$5,000 dollars after a territory-wide operation. It said 14 people had been arrested on charges of violating copyright laws.

(Bloomberg, AP, AFP)

ECONOMIC SCENE

How to Plan for the Next Great Bailout

By Peter Passell
New York Times Service

NEW YORK — Without the consent of Congress and with only grudging support from Europe, President Bill Clinton managed to scrape up some \$50 billion to save the Mexican peso.

But what happens the next time — and the next, and the next? In an era of emerging markets and high-rolling investment funds, the number of currency markets that are "too big to fail" is growing rapidly, C. Fred Bergsten, director of the Institute for International Economics, said. One way or another, he said, international agencies will have to serve as lenders of last resort.

Rudi Dornbusch, an economist at the Massachusetts Institute of Technology and one of the few who predicted the peso's plunge, drew a different conclusion. Speaking for the other side in an old debate that has taken on new urgency, he argued that both capital-importing countries and private investors must "be made to understand they are on their own."

With hindsight, the collapse of the peso seemed inevitable. Mexico did everything right to attract foreign capital but succumbed to the temptation to use the proceeds to subsidize living standards. The idea, apparently, was to wait until the time was right and then let the peso's exchange value fall in an orderly manner. The right time, alas, never came. "It's always inconvenient to devalue," Mr. Dornbusch said.

Fast and furious work by the White

House spared Mexico the embarrassment of a default on short-term debts — and, most likely, four or five years of fiscal retrenchment while the government talks its way back into the graces of the world's money lenders.

But the difficulty of coming up with the cash, combined with the growing realization that world money markets are now so interdependent that a run on one currency poses risks for many others, has dulled the initial sense of relief from Mr. Clinton's decisive action.

What to do? A plausible approach is to

Some economists argue for an international emergency fund, while others say debtor nations should be made to feel they are on their own.

expand the safety net that protects the currencies of the major industrial powers. Central banks already maintain lines of credit with each other, allowing, say, the Bank of England to borrow \$30 billion or \$40 billion within a few hours.

A parallel stabilization fund for secondary currencies could be created through the International Monetary Fund, allowing the technocrats to block a run on, say, the drachma if the Greek government lost the ability to refinance short-term debts at less than extortionate interest rates.

Mr. Bergsten envisions such a fund, along with a "fundamental surveillance role" for the IMF. The sums needed to make such a fund credible, he conceded, would be on the order of \$100 billion and would require tacit congressional consent — or even legislation — to implement. But, he argued, "It would be better to line up the money now, before the next crisis."

Peter Kenen, an economist at Princeton University, offered a variation on the theme. He would give central banks experiencing inflows of "hot money" the opportunity to insure themselves by depositing foreign currency reserves in a special IMF account.

When the flow reversed direction, a central bank would automatically be able to borrow an extra dollar for every dollar it had deposited — effectively doubling its war chest against a speculative attack on the currency.

But not everyone is eager to create a true international lender of last resort. For one thing, said Alan Stoga, managing director of Kissinger Associates, the sums involved could prove astronomical in a world with trillions of dollars of government-backed short-term debt and "32-year-old kids running the trading desks" of the big financial institutions.

Mr. Dornbusch also worried about "moral hazard," an inclination to move into hostile territory in the belief that a rescue is on the way. By this logic, building collective defenses against currency crises may weaken individual defenses.

The alternative, Mr. Dornbusch sug-

See **FUND**, Page 9

Trustees and Maxwell Strike Pension Agreement

Compiled by Our Staff From Dispatches

LONDON — Trustees announced a £276 million (\$430 million) settlement Friday over funds removed from Robert Maxwell's old companies, ending uncertainty that began for pensioners when the media magazine died in 1991.

The agreement in principle, which still needs court approval, was hammered out between pension fund trustees and financial institutions and administrators of Maxwell Communication Corp.

Trustees of Maxwell's company pension funds announced that a group of major City of London institutions had agreed to settle claims for about 32,000 people who had lost most or all of their pension payments.

After the 68-year-old tycoon's body was found floating in the Atlantic in November 1991, regulators sifted through an empire burdened with unpayable debts. They discovered he had used shares in his company's pension funds as security on private investments — in effect pilfering the pension funds of an estimated £440 million.

Pensioners' rights groups had already won back about £100 million of the amount outstanding. Friday's deal should mean that pensioners will receive their full retirement benefits. Government compensation payments were expected to cover any difference.

Pensioners from Maxwell companies have continued to receive their pensions

since Mr. Maxwell died, because the government stepped in in 1992 with emergency help.

But pension funds would have run out in a couple of years if the funds siphoned out had not been recovered.

"This news ends a long period of uncertainty and reduces the need for further time-consuming and costly legal actions," said Patrick Harrex of Law Debenture Trust Corp., one of the pension fund trustees.

The announcement Friday followed months of negotiations between pension trustees and financial institutions after an attempt to reach a settlement failed in November.

(Reuters, AP)

CURRENCY & INTEREST RATES

Cross Rates									
	£	DM	FF	Lira	Yen	S. Afr.	Yen	CS	Peru
Amsterdam	1.785	2.444	1.738	0.329	1.639	—	1.644	1.324	1.28
Frankfurt	1.785	2.444	1.738	0.329	1.639	—	1.644	1.324	1.28
London	1.785	2.444	1.738	0.329	1.639	—	1.644	1.324	1.28
Paris	1.785	2.444	1.738	0.329	1.639	—	1.644	1.324	1.28
Stockholm	1.785	2.444	1.738	0.329	1.639	—	1.644	1.324	1.28
Switzerland	1.785	2.444	1.738	0.329	1.639	—	1.644	1.324	1.28
Tokyo	1.785	2.444	1.738	0.329	1.639	—	1.644	1.324	1.28
Osaka	1.785	2.444	1.738	0.329	1.639	—	1.644	1.324	1.28
Seoul	1.785	2.444	1.738	0.329	1.639	—	1.644	1.324	1.28
1 ECU	1.785	2.444	1.738	0.329	1.639	—	1.644	1.324	1.28
1 SDR	1.785	2.444	1.738	0.329	1.639	—	1.644	1.324	1.28

Eurocurrency Deposits									
	Dollar	D-Mark	Swiss Franc	French Franc	Yen	ECU			
1 month	4 1/4%	4 1/4%	4 1/4%	4 1/4%	4 1/4%	4 1/4%			
3 months	4 1/4%	4 1/4%	4 1/4%	4 1/4%	4 1/4%	4 1/4%			
6 months	4 1/4%	4 1/4%	4 1/4%	4 1/4%	4 1/4%	4 1/4%			
1 year	4 1/4%	4 1/4%	4 1/4%	4 1/4%	4 1/4%	4 1/4%			

Key Money Rates									
	Close	Prev.	Settle	Settle	Settle	Settle	Settle	Settle	Settle
Discount rate	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%
Prime rate	8 1/2%	8 1/2%	8 1/2%	8 1/2%	8 1/2%	8 1/2%	8 1/2%	8 1/2%	8 1/2%
3-month T-bill	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%
6-month T-bill	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%
1-year T-bill	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%
2-year T-bill	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%
3-year T-bill	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%
5-year T-bill	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%
10-year T-bill	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%
30-year T-bill	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%	5 1/2%

Economist Offers to Buy U.S. Journal

New York Times Service

LONDON — The Economist Group, publisher of The Economist magazine, has offered \$115 million to buy the publisher of The Journal of Commerce from Knight-Ridder Inc.

The Journal of Commerce Inc., based in New York, publishes the 21,000-circulation daily financial newspaper and its foreign editions, shipping magazines, industry directories and electronic data services that provide specialized maritime and tariff information.

The sale must be approved by the boards of both companies.

Marjorie Scardino, chief executive of The Economist Group, said Thursday the international specialization of Journal of Commerce Inc.'s products made it an attractive growth vehicle for Economist Group in the United States and internationally.

Analysts said the price was toward the upper end of prices recently paid for newspaper companies.

ARGUS FUND

[R.C. Luxembourg no. B 42.608]

is pleased to announce the appointment of

BARING ASSET MANAGEMENT

as Manager of the Fund from January 1st, 1995.

Mr. John Bolsover, Chief Executive Officer of Baring Asset Management

has, on the same date, joined the Argus Board.

ARGUS FUND is a Luxembourg SICAV investing worldwide through

two compartments: EQUITY PORTFOLIO and BOND PORTFOLIO.

ARGUS FUND's reference currency is the Swiss Franc.

The custodian bank is Banque Pictet (Luxembourg) S.A.

The Members of the Board are:

- Mr. Claudio Segre, Banker - Genhthod - (Chairman)

- Mr. John Bolsover, Chief Executive Officer, BARM Ltd. - London

- Mr. Philippe Denis, Chairman, Elysée Gestion - Paris

EUROPE

Cut in Debt Reserve Boosts Lloyds Bank

Compiled by Our Staff From Dispatches

LONDON — Lloyds Bank PLC said Friday that 1994 pre-tax profit rose 26 percent, to £1.30 billion (\$2 billion), as lower provisions for bad debts boosted earnings and more than offset falling operating income.

Britain's fourth-largest retail bank also announced a dividend increase of 17 percent, to 25.8 pence.

Net interest income rose slightly, to £2.15 billion, as margins on domestic lending widened to 4 percent from 3.87 percent in 1993.

On the negative side, Chief Executive Brian Pittman said the margins on large corporate loans were under "tremendous and intense pressure" and that the decline in property prices made real estate lending an area "of greatest concern."

The bank's trading surplus, equivalent to operating income, fell 6 percent, to £1.41 billion. Lloyds said losses in the bond market caused a 68 percent drop in investment income, to £66 million.

The bank's net provision for bad debts dropped to £135 million in 1994 from £503 million in 1993. The sharp fall reflected a buoyant U.K. economy and improved performance by loans to developing countries.

Lloyds is the first of the major British banks to report 1994 results. Analysts have said the bank's reports may trigger criticism that banks are cashing in on their customers. Barclays Bank PLC is expected to show a profit increase of some 200 percent, and National Westminster Bank PLC's profits could gain by around 60 percent.

Lloyds Chairman Robin Ibbotson

said the bank's improved results came "primarily from tight cost control, concentration on our strengths and a reduction in bad debts."

He added that, in a cyclical economy, profits from boom times were necessary to give banks "the strength required to support customers properly and to provide a fair return to shareholders."

Lloyds shares rose as much as 17.5 pence before closing at 560 pence, up 10, with three times the average daily volume of 2.7 million shares traded.

(Bloomberg, Reuters)

Eurotunnel Figures Down — Eurotunnel SA released fourth-quarter figures that showed its revenue from running Channel Tunnel train services was lower than the company's revised forecast in October, Bloomberg Business News reported from Paris.

Fourth-quarter revenue totaled £23.8 million, bringing the total for the year to £30.6 million.

The figures revived concern that the project may run out of money before it starts turning a profit, meaning that shareholders may have to wait until later than 2004 to see their first dividend payment.

Saddled with £8.1 billion in bank debt and not expecting to break even until 1998, Eurotunnel's revenue is the key to the health of the project.

The company blamed the low revenue on Eurostar, the company formed by the Belgian and French national railways and a unit of British Rail to run high-speed rail services through the tunnel.

Europe's Jobs Flow East Cheap Labor Is Firms' 'Shot of Adrenaline'

By Craig R. Whitney
New York Times Service

BRUSSELS — Leaders of the 15 nations in the European Union keep warning their electorates that high unemployment won't go down until high labor costs do — that jobs will just flow east, to Central Europe, where it is cheaper to hire people.

ASEA Brown Boveri Ltd. proves the point. Eberhard von Korb, who heads its European operations, says the multinational engineering and electrical giant began shifting some of its operations eastward when communism collapsed in 1989.

Today, Mr. von Korb said, "it's like a shot of adrenaline to sit in Berlin and realize that one hour away by car, in a country where you no longer need a visa to travel, labor costs are only 5 percent to 10 percent of what they are in Germany."

The emergence of a low-cost, highly trained labor market in Central Europe is one reason that, despite the economic recovery, unemployment in the western part of the Continent remains high: 10 percent in Germany, 12.6 percent in France and more than 20 percent in Spain.

Despite higher productivity and much lower unemployment in the United States, even a few American jobs are moving abroad as American and other investors seek a foothold in Central Europe.

Since 1990, ABB has eliminated 40,000 jobs from North America and Western Europe

and created 21,150 jobs in the newly capitalist countries to the east. It now owns 45 companies there that generated well over \$2 billion in orders over the past two years.

"The opening of Central and Eastern Europe is really a unique opportunity for improving European competitiveness and re-engineering our very sclerotic economic structure," Mr. von Korb, 56, said.

"In Poland, we bought turbine manufacturing plants and restructured the company

ABB is now exploring the possibility of using satellite telecommunications technology to move power-plant engineering-control operations from Mannheim, Germany, where engineers cost nearly \$50 an hour, to Poland and Russia, where they cost a small fraction of that amount.

"With satellites, you can have them on-line with computer operations in the West," Mr. von Korb said, "and in time there could be fewer engineers in Mannheim and more in Poland and Russia."

Most ABB employees whose jobs were eliminated in Western Europe preferred to take union-negotiated buyout packages and generous unemployment benefits rather than undergo retraining for service jobs, he said. Many business executives contend that the social safety nets in most Western European countries encourage chronic unemployment rather than job creation.

Revising European social policies to encourage more job creation was one of the top objectives agreed on by EU leaders at their summit meeting in Essen, Germany, in December. But Mr. von Korb doubts anything like that will happen soon.

"I don't think it will come voluntarily from the top, and I don't see the politicians really having the will to attack this on a scale that costs them votes," he said. "The issue is dropping from the agenda. The economy is recovering, and when the sun is shining you don't buy umbrellas."

Executives say Western Europe's social safety nets encourage chronic unemployment, not job creation.

ties by injecting our latest technology, standards of management and incentives to increase productivity," Mr. von Korb said. "Once this was established, we focused on moving labor-intensive processes from operations in Western Europe."

On the average, ABB employees in Central Europe work 400 hours a year more than the company's workers in Western Germany do. Each hour a Polish worker spends on the job costs ABB an average of \$2.58, compared with \$30.33 in Germany, according to the company.

Lawmakers In Russia Vote Higher Basic Wage

Agence France-Press

MOSCOW — The upper house of the Russian Parliament voted Friday for a near-tripling of the minimum wage, in an act of defiance toward the International Monetary Fund.

President Boris N. Yeltsin is expected to veto the measure.

The proposal to increase the minimum monthly wage to 54,100 rubles (\$13) from 20,500 rubles is seen as a major obstacle to the granting of a vital standby loan by the IMF.

The decision, if applied, might add \$750 million a month to public expenditure, making a mockery of the budget deficit target, which is already viewed with skepticism by the IMF.

The IMF said Tuesday that it was withholding a standby loan of \$6.45 billion, which had already been written into the draft budget for 1995, because it had not received satisfactory assurances about economic reform and containment of the deficit.

"If this law comes into effect," Alexander Livchits, Mr. Yeltsin's main economic adviser, said earlier in the week, "the negotiations with the IMF will no longer make any sense." He added that it would result "in the total collapse of the budget for 1995."

The first deputy finance minister, Vladimir Petrov, said "the president will probably use his veto." He called the vote a "populist" measure and said it had shown a "lack of professionalism" among the legislators.

Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
2300	3300	2100
2200	3200	2000
2100	3100	1900
2000	3000	1800
1900	2900	1700
1800	2800	1600
1700	2700	1500
1600	2600	1400
1500	2500	1300
1400	2400	1200
1300	2300	1100
1200	2200	1000
1100	2100	900
1000	2000	800
900	1900	700
800	1800	600
700	1700	500
600	1600	400
500	1500	300
400	1400	200
300	1300	100
200	1200	0
100	1100	-100
0	1000	-200
-100	900	-300
-200	800	-400
-300	700	-500
-400	600	-600
-500	500	-700
-600	400	-800
-700	300	-900
-800	200	-1000
-900	100	-1100
-1000	0	-1200

Exchange	Index	Friday Close	Prev. Close	% Change
Amsterdam AEX		415.64	414.67	+0.23
Brussels Stock Index		7,103.15	7,072.12	+0.44
Frankfurt DAX		2,130.15	2,112.69	+0.83
Frankfurt FAZ		791.97	784.27	+0.98
Helsinki HEX		1,831.04	1,833.93	-0.16
London Financial Times 30		2,364.90	2,357.90	+0.30
London FTSE 100		3,109.80	3,099.00	+0.35
Madrid General Index		289.23	289.43	-0.07
Milan MIBTEL		10840	10888	-0.53
Paris CAC 40		1,869.40	1,874.44	-0.27
Stockholm SX 16		1,632.55	1,631.29	+0.08
Vienna ATX Index		981.05	982.53	-0.15
Zurich SBS		925.85	925.48	+0.04

Sources: Reuters, AFP
International Herald Tribune

Very briefly:

- German 1994 retail sales fell an inflation-adjusted annual 1 percent from 1993; Western German retail sales fell 2 percent.
- Groupe Bull signed a technological deal with NEC Corp., its Japanese partner and a shareholder in the French company.
- Compagnie Générale des Etablissements Michelin SCA said 1994 sales at the French tiremaker rose 6 percent, to 67.2 billion francs (\$13 billion), from a year earlier.
- Pinault-Printemps-Redoute SA, a French retailer, said 1994 sales rose 12.5 percent, to 70.9 billion francs.
- Galeries Lafayette said 1994 sales rose to 29.07 billion French francs from 29.05 billion a year earlier.
- Congo's petroleum industry nearly came to a halt after oil workers went on strike over pay increases.
- Denmark's industrial output rose 13 percent in December 1994, excluding ships, compared with December 1993.
- Alitalia SpA said 1994 sales rose to more than 7 trillion lire (\$4 billion) from 5.9 trillion in 1993. (AFP, AFX, Reuters, Knight-Ridder)

NYSE Friday's 4 p.m. Close

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

12 Month	Div	Yld	PE	100	High	Low	Latest	Chg
High Low Stock								
120	1.00	4.00	15.00	100	120	110	10	
130	1.10	4.10	16.00	110	130	120	10	
140	1.20	4.20	17.00	120	140	130	10	
150	1.30	4.30	18.00	130	150	140	10	
160	1.40	4.40	19.00	140	160	150	10	
170	1.50	4.50	20.00	150	170	160	10	
180	1.60	4.60	21.00	160	180	170	10	
190	1.70	4.70	22.00	170	190	180	10	
200	1.80	4.80	23.00	180	200	190	10	
210	1.90	4.90	24.00	190	210	200	10	
220	2.00	5.00	25.00	200	220	210	10	
230	2.10	5.10	26.00	210	230	220	10	
240	2.20	5.20	27.00	220	240	230	10	
250	2.30	5.30	28.00	230	250	240	10	
260	2.40	5.40	29.00	240	260	250	10	
270	2.50	5.50	30.00	250	270	260	10	
280	2.60	5.60	31.00	260	280	270	10	
290	2.70	5.70	32.00	270	290	280	10	
300	2.80	5.80	33.00	280	300	290	10	
310	2.90	5.90	34.00	290	310	300	10	
320	3.00	6.00	35.00	300	320	310	10	
330	3.10	6.10	36.00	310	330	320	10	
340	3.20	6.20	37.00	320	340	330	10	
350	3.30	6.30	38.00	330	350	340	10	
360	3.40	6.40	39.00	340	360	350	10	
370	3.50	6.50	40.00	350	370	360	10	
380	3.60	6.60	41.00	360	380	370	10	
390	3.70	6.70	42.00	370	390	380	10	
400	3.80	6.80	43.00	380	400	390	10	
410	3.90	6.90	44.00	390	410	400	10	
420	4.00	7.00	45.00	400	420	410	10	
430	4.10	7.10	46.00	410	430	420	10	
440	4.20	7.20	47.00	420	440	430	10	
450	4.30	7.30	48.00	430	450	440	10	
460	4.40	7.40	49.00	440	460	450	10	
470	4.50	7.50	50.00	450	470	460	10	
480	4.60	7.60	51.00	460	480	470	10	
490	4.70	7.70	52.00	470	490	480	10	
500	4.80	7.80	53.00	480	500	490	10	
510	4.90	7.90	54.00	490	510	500	10	
520	5.00	8.00	55.00	500	520	510	10	
530	5.10	8.10	56.00	510	530	520	10	
540	5.20	8.20	57.00	520	540	530	10	
550	5.30	8.30	58.00	530	550	540	10	
560	5.40	8.40	59.00	540	560	550	10	
570	5.50	8.50	60.00	550	570	560	10	
580	5.60	8.60	61.00	560	580	570	10	
590	5.70	8.70	62.00	570	590	580	10	
600	5.80	8.80	63.00	580	600	590	10	
610	5.90	8.90	64.00	590	610	600	10	
620	6.00	9.00	65.00	600	620	610	10	
630	6.10	9.10	66.00	610	630	620	10	
640	6.20	9.20	67.00	620	640	630	10	
650	6.30	9.30	68.00	630	650	640	10	
660	6.40	9.40	69.00	640	660	650	10	
670	6.50	9.50	70.00	650	670	660	10	
680	6.60	9.60	71.00	660	680	670	10	
690	6.70	9.70	72.00	670	690	680	10	
700	6.80	9.80	73.00	680	700	690	10	
710	6.90	9.90	74.00	690	710	700	10	
720	7.00	10.00	75.00	700	720	710	10	
730	7.10	10.10	76.00	710	730	720	10	
740	7.20	10.20	77.00	720	740	730	10	
750	7.30	10.30	78.00	730	750	740	10	
760	7.40	10.40	79.00	740	760	750	10	
770	7.50	10.50	80.00	750	770	760	10	
780	7.60	10.60	81.00	760	780	770	10	
790	7.70	10.70	82.00	770	790	780	10	
800	7.80	10.80	83.00	780	800	790	10	
810	7.90	10.90	84.00	790	810	800	10	
820	8.00	11.00	85.00	800	820	810	10	
830	8.10	11.10	86.00	810	830	820	10	
840	8.20	11.20	87.00	820	840	830	10	
850	8.30	11.30	88.00	830	850	840	10	
860	8.40	11.40	89.00	840	860	850	10	
870	8.50	11.50	90.00	850	870	860	10	
880	8.60	11.60	91.00	860	880	870	10	
890	8.70	11.70	92.00	870	890	880	10	
900	8.80	11.80	93.00	880	900	890	10	
910	8.90	11.90	94.00	890	910	900	10	
920	9.00	12.00	95.00	900	920	910	10	
930	9.10	12.10	96.00	910	930	920	10	
940	9.20	12.20	97.00	920	940	930	10	

Friday's 4 p.m. Close

Friday's 4 p.m. Close
Tables include the nationwide prices up to the closing on Wall Street and do not reflect local market conditions. © The Associated Press

(Continued)

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Urging Open Nomura Re 10-Month R

**ANA to Cut
700 Jobs in
Restructuring**

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Urging Openness, Nomura Releases 10-Month Results

Nomura stock closed Friday at 1,780 yen, up 20, on the Tokyo Stock Exchange. The earnings announcement was made after the market closed.
(Bloomberg, Knight-Ridder)

ANA's recurrent profit has fallen from more than 22 billion yen (\$224 million) three years ago. It expects only to break even in the year ending March 31.

Beijing to Raise Rates on Savings

Consumer prices rose at an annual rate of 25.5 percent in December, down from a 27.5 percent rate in November. Total individual bank deposits rose 40 percent last year to 2.15 trillion yuan (\$253 billion).

"A further rate rise would be worrying because it would eat into the profitability of the banking sector," Mr. Ma of Peregrine said.

The commission was set up in 1992 to watch out for irregular securities transactions.

- **South Korea** will provide \$16 billion in financial assistance to small businesses unable to obtain credit because of the central bank's inflation-fighting policies.
- **Evergreen Marine Corp.** of Taiwan received government approval to build its second container yard in China.

SYDNEY — Coca-Cola Amati Ltd. said Friday its 1994 profit rose 16 percent because of solid gains in sales volume, revenue and profit in all three geographic regions in which it operates — Asia, Australasia and Europe. The company, which is 50 percent owned by Coca Cola Co. of the United States, said net income rose to a record 110.8 million 95.5 million dollars in 1993. Sales also rose 16 percent, to 2.24 billion dollars from 1.95 billion dollars.

Last month, shareholders approved Coca-Cola Amati's \$237.5 million acquisition of Coca-Cola Co.'s Polish bottling interests.

The company now operates in 13 countries with a total population of around 360 million.

PERSONALS	MOVING	International FINANCING	BUSINESS SERVICES	YOUR OPPORTUNITY	OFFSHORE COMPANIES, LTD. INC. Bermuda - Hong Kong - New York - Singapore	EMPLOYMENT	TRANSCO REGIM	HEALTH/MEDICAL	COLLEGES & TOURS
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America's economic boom is Europe's economic boom. That's the message of the 1986-87 issue of *Foreign Affairs*, the journal of the Council on Foreign Relations. The issue is titled "Europe's Economic Boom: A Challenge to U.S. Policy." It is edited by Robert D. Black, Jr., and is published by the Council on Foreign Relations, 585 Madison Avenue, New York, N.Y. 10022. The issue is available for \$10.00. The issue is available for \$10.00. The issue is available for \$10.00.

هكذا من الاصل

FIRST COLUMN

Ultimate Sin Against the Free Market

THOSE who argue that we live in a godless world have clearly forgotten about Mammon. Whatever else people may choose to be fashionably agnostic about, Mammon, money and their means of self-expression — the market — are taken seriously. For all its follies, caprices and unfathomable idiosyncrasies, the market has credibility. Mammon has his followers — and they are privatizing pension provisions in Chile, creating freedom of currency exchange in Asia, and generally showing us that the free market is a good and noble thing.

Largely correct, so far. Central bankers may bleed when global currency dealers bend the exchange rate a way they don't like. Politicians may rage impotently when share markets totter in reaction to their decisions. But, dangerous as they are, markets promote creativity and enterprise.

Providing, of course, that they are not tampered with. If a society is to accept the workings of a market economy, the market must be fair and true. There are enough imperfections, overreactions and corrections already, without market pricing mechanisms being further distorted by those who work in them.

This is the prime reason that insider trading must be treated as a serious crime. There have been many instances in the past few years of insider dealers offering pathetic excuses for their actions. Chief among them is that insider dealing — alias market rigging — is not a crime at all. All that happens is that the insiders get rich, it is argued. There are no victims of this crime.

But there are victims. The insider dealing ring that fueled the junk bond craze and the allied takeover frenzy of the 1980s threw thousands of people out of work. Those who face unemployment to satisfy the greed of others are manifestly badly done by.

But the less-apparently obvious victims are those who place their faith in a market system that is fundamentally corrupt. Insider dealing is more than just a crime that attacks people's job security; it corrodes the very financial fabric of free-market societies.

M.B.

Regulation of 'Anglo' Offshore Funds

Numbers (left column) refer to questions on fund regulation

- 1) Must accounts be published to public?
- 2) Must prospectus be approved/published?
- 3) Are funds of funds permitted/known?
- 4) Are umbrella funds permitted/known?
- 5) Restrictions on % of units held by 1 person?

- 6) Restrictions on fund borrowing powers?
- 7) Trustees/custodian/managers fees restricted?
- 8) Cost of setting up fund?
- 9) Time to set up fund (months)?

- 1) Income of fund taxed?
- 2) Gains of fund taxed?
- 3) Registration duties on fund?
- 4) Capital duties on fund?

- 5) Transfer duties on overseas securities?
- 6) Number of double taxation treaties?
- 7) Roll-up permitted?
- 8) Tax on managers?

	Bahamas	Bermuda	BVI	Cayman Is.	Ireland	Neth.-Ant.	Turks & Caicos
1	no	no	no	no	no(4)	no	no
2	no	yes(1)	no	yes(2)	yes	no	yes
3	yes	yes	yes	yes	yes(5)	yes	yes
4	yes	yes	yes	yes	yes	yes	yes
5	no	no	no	no	no	no	no
6	no	no	no	no	yes	no	no
7	no	no	no	no	no	no	no
8	\$5,000-\$25,000	\$20,000-\$30,000	\$15,000	(3)	£15,000	\$5,000	—
9	1-2	1-2	1	2-3	1	1	—

FOOTNOTES: 1) prospectus must be filed to supervisory authority. (2) licensed funds must issue a prospectus. (3) too variable to usually estimate. (4) exempt non-designated variable capital companies or others whose recent accounts form part of prospectus. (5) no-UCITS, Yes-Non-UCITS.

	Bahamas	Bermuda	BVI	Cayman Is.	Ireland	Neth.-Ant.	Turks & Caicos
1	no	no	no	no	no(2)	yes(4)	no
2	no	no	no	no	no(2)	no	no
3	yes(1)	yes	yes	no	no	no	no
4	no	no	no	no	no(3)	no	no
5	no	no	no	no	no	no	no
6	0	0	2	0	23	1	0
7	yes	yes	yes	yes	yes	yes	yes
8	0%	0%	15%	0%	10%	36%/44%(5)	0%

FOOTNOTES: 1) applies at progressive rates up to \$1,000, but not on unit trusts. 2) tax 27%. Funds in ISOC in Dublin except except non-designated VCCs which are taxed at 10%. 3) due to be abolished for investment limited partnerships. 4) liability can be limited to \$1,000 and exemption is available for larger

Sources: KPMG Stokes, Kennedy, Crowley

Offshore Financial Centers Move to Shake Stigma of Shadiness

By Rupert Bruce

IN mid-January, financial regulators in the Cayman Islands swooped on Guardian Bank & Trust (Cayman), one of their local banks. Within days a liquidator had been appointed on the grounds that the bank's existence was "detrimental to the public." To the casual observer, it may seem that this is just another example of a marginal bank operating in a lax offshore financial center.

But there is another way of looking at it. According to close observers of the offshore financial scene, it illustrates the growing determination of the British-dependent territories based in the Caribbean to put a disreputable past behind them and migrate to the respectable side of the offshore financial community.

The first move in this direction was taken in 1989, when Anguilla and Montserrat were discovered to have become major centers for fraudulent banking. Sources at the White Collar Crime Investigative Team in Miami say the local banks had become a notorious nuisance in the U.S. financial community and were involved in such scams as issuing counterfeit certificates of deposit, as well as money laundering. In the cleanup that followed, the number of banks in Anguilla was re-

duced to one from 45, while Montserrat's banking community slumped to 15 from about 350.

The collapse of Bank of Credit & Commerce International in 1991 and the massive fraud that was subsequently uncovered also sent a shockwave through Britain's Caribbean offshore banking community. While the Caymans office was one of many that BCCI owned, it played a crucial part in the fraud. This showed the world in general quite how imperfect international banking supervision was — and reminded the British government in particular of the faults in the financial systems of territories — Anguilla, British Virgin Islands, Cayman Islands, Montserrat, and the Turks and Caicos Islands — which were flying its flag.

The result has been a major initiative by the British Foreign Office to clean up the region. Local governments have busied themselves amending financial legislation, issuing guidelines and reinforcing the teams charged with supervising local financial centers. Behind the scenes, the Foreign Office has used a mixture of inducement and coercion in a time-honored tradition acquired during its years of presiding over an empire.

But, to be fair to the offshore centers, British government sources in Whitehall say that most have been eager to change.

It is in their interests. In a time when millions of dollars are flooding offshore daily, it is the reputable centers that tend to get the business. Banks and investment managers setting up offshore do not want to be associated with financial crime. If they choose a center with a bad reputation, they realize it will hamper their marketing efforts.

"The flight to quality is symptomatic of a general trend within the international investment sector," said Scott Connack, a partner of accountancy firm KPMG who specializes in advising offshore centers. "Fund managers recognize that to promote their products they must offer the best. Respectability, security, and quality are the watchwords for the future of this industry."

Two formal initiatives are pushing this trend along: the Basel Committee's Minimum Standards Report and the Financial Action Task Force's 40 recommendations. The Basel Committee, a sort of central bankers club, introduced its minimum standards hard on the heels of BCCI; they are designed to introduce the coordinated international approach to banking regulation, which BCCI proved was so conspicuously absent.

The task force's recommendations — eight of them regarded as "core" — were drawn up in 1990 and are intended to combat money laundering. Again, they place great emphasis on international cooperation, but also deal with matters so basic as making money laundering illegal.

Introduction of these measures, or a public commitment to introduce them at least, is becoming a sort of international

badge of respectability. The Financial Action Task Force actively pushes this as a reason for accepting its recommendations.

"We make the point that anti-money laundering measures are necessary to preserve the integrity of financial institutions and the financial sector," said Dilwyn Griffiths, Paris-based secretary of the FATF. "We strongly maintain that if you are to have a long-term future as a financial center then you need to be a clean place to do business. If you get a reputation as a money laundering center then O.K., the Colombian cocaine cartels are going to go to you but you will drive out the legitimate business."

The British offshore centers' first reaction to this has been to issue new guidelines for the licensing of offshore banks — and only banks that are subject to so-called "consolidated" regulation from their home countries can expect to receive licenses. Consolidated regulation means that the home-country regulator receives information from overseas counterparts and builds a complete picture of a bank's international activities and finances.

In addition, legislation is being amended to allow overseas financial regulators to breach secrecy requirements. Anguilla has already introduced this for both banks and locally based companies. Whitehall sources say that during the coming six months they expect so-called gateways to be introduced in the banking secrecy legislation of all the remaining countries. Similar gateways should be introduced to company legislation shortly afterwards. The

Fraud and Money Laundering

Page 14
The most common sins

Page 15
Credit card techno-wars
Nobby's tale
Avoiding the next BCCI

Page 17
International private detectives

tax man, incidentally, will not be allowed through these gateways.

Within all this, the regulators are trying to strike a delicate balance. It is important, they say, to stamp out bad business without driving away "legitimate" business. By this they mean they are anxious to tackle fraud and money laundering, but do not want to help governments search out tax evasion or evasion of foreign exchange controls. Any gateways in banking secrecy, for example, are carefully constructed so that governments cannot go on so-called "fishing expeditions" to find out if any of their citizens have deposits with offshore banks.

But there is still some way to go. One well-placed European banking regulator said the Cayman Islands was among those offshore centers trying hardest to clean itself up, but simply did not have enough banking supervisors to oversee the 600 or so banks registered there.

The Money Report is edited by
Martin Baker

Don't Be Complacent About Fraud

By Aline Sullivan

AMERICANS who believe that their stock markets are safer places to invest than the less rigorously policed markets of Europe may be in for a rude awakening. Corporate fraud in all its myriad forms is booming on both sides of the Atlantic.

That's the view of fraud watchdogs in both continents, backed up by a number of recent surveys. Norman Inkster, former president of Interpol and now national director of investigation and security for KPMG Peat Marwick in Toronto, believes the pressure to launder money coming from drugs and from the former Communist countries of Eastern Europe is fostering fraud in the United States and as well as in Europe.

But the lion's share of that money is en route to the United States where there are hundreds of private banks regulated by a clogged reporting system that is no longer effective in tracking money laundering, Mr. Inkster said. For this and several other reasons, he believes fraud is growing faster in North America than in Europe.

"Corporations in North America are trying hard to develop higher levels of efficiency and higher profit margins and are empowering people on lower levels of their organizations," Mr. Inkster said. "These people may not be able to make sure that money is spent wisely."

"Also, North Americans are depending more than Europeans on technology and are therefore more vulnerable to criminals conversant in their technology," Mr. Inkster said. "It's hard to discover crimes committed this way. And if a crime is discovered the jury may not

understand it. More and more people are going free because the juries didn't understand the crime."

Of course, these problems are not confined to the United States and Canada. The increasing sophistication among criminals was cited by respondents on both sides of the Atlantic in a recent KPMG survey as a major cause of the rise in fraud. Other, more elemental, reasons mentioned were economic pressures and weakening societal values. All told, more than 60 percent of the executives surveyed felt that fraud was a major problem facing businesses and that it was getting worse.

"The risk of corporate fraud has increased," said Ian Huntington, head of KPMG fraud investigation. "The 1990s mantras of empowerment and incentivization are certain to result in some managers manipulating results to gain reward or avoid the penalty of involuntary separation."

The most prevalent types of corporate fraud tend to be the same in North America and Europe. Misappropriation of funds topped the list in almost all the countries surveyed by KPMG. Other causes included patent infringement, credit card fraud, false financial statements, false invoices and manipulation of checks.

But the response to incidences of corporate fraud differed widely in the United States and Europe, the survey found. American companies appear far more willing to disclose the existence and financial effect of fraud than their European counterparts.

That judgment meshes with the findings of a survey last month by the London office of the accountants Ernst &

Young that showed a growing complacency about fraud among British executives. Nearly half the respondents had been the victim of fraud on more than one occasion during an 18-month period but less than one-quarter had an explicit fraud reporting policy.

"I am alarmed at the level of acceptance shown by companies that fraud is just part of commercial life," said David Sherwin, head of Ernst & Young's fraud investigation and risk management group. "The only way to deter the fraudster is to show him you mean business. Companies should assess more vigorously which areas within their business are at risk."

There are some signs that British companies are beginning to do just that, however. Bill Waite, associate managing director and legal counsel to the London arm of New York-based corporate intelligence group Kroll Associates, said he has noted increased vigilance among British executives.

"There is an increased awareness of fraud and an increased rate of reporting," he said. "But not necessarily to the authorities. Companies in both Britain and the United States don't want to attract public criticism or expose themselves to charges of negligence. Instead, they ask people like us to help them."

Investors alarmed at that revelation will take heart from Mr. Waite's insistence that companies regularly conceal fraud, in Europe and in the United States. "It is important to every financial market that it appear to be clean," he said. "There is plenty of motivation to avoid reporting fraud or to explain it as something other than a crime."

BRIEFCASE

Foreign & Colonial Opens U.S.-Listed Mideast Fund

Foreign & Colonial Emerging Markets Ltd., a British fund manager specializing in emerging market investment, has introduced "the first-ever U.S.-listed Middle East investment fund." The new vehicle is traded on the New York Stock Exchange and has an objective of "long-term capital appreciation through investment primarily in equity securities of Middle East issuers."

"The fund is moving toward an asset allocation of at least 65 percent in its core markets of Egypt, Jordan, Morocco, Oman and Tunisia, and up to 35 percent in non-core markets, initially Israel and Turkey," Foreign & Colonial said. "Currently the fund is 55.6 percent invested, and holds 10.5 percent in Egypt, 10.8 percent in Israel, 17.8 percent in Morocco, 11.6 percent in Turkey 4.8 percent in other Middle East stock exchanges" with the balance in cash. Foreign & Colonial expects that the fund, named the Foreign & Colonial Emerging Middle East Fund (NYSE symbol EME) will be fully invested by March.

The fund is awaiting authorization to invest in Jordan, pending liberalization measures, and it plans to take advantage of reforms and developments in other countries — such as the reopening of the Lebanese stock exchange, scheduled for June.

Foreign & Colonial, which has \$3 billion under advice or management, contends that the economies of the region are

on the verge of strong, sustainable growth up to 5 percent a year.

There is an annual management fee of 1.25 percent.

For more information, call Foreign & Colonial in London at (44 071) 628 1234.

A 'Nouvelle Vague' Fund From Smith Barney France

Investors looking for an income stream in French francs should consider a new fund from Smith Barney Asset Management France. The "nouvelle vague" fund is a U.S.-style yield enhancement product.

"The objective is to beat the returns available in the French money market by 50 percent," said Jean-Charles Cabrol, Paris-based vice president of Smith Barney Asset Management France. "We're trying to improve on the yield from 90-day French Treasury bills, so the investment objective is relative, not absolute. The worst-case scenario is that we underperform the market by 30 percent."

In simple figures this means that if the French money market is offering a 4 percent return, the fund will attempt to provide investors with income of 6 percent. If Mr. Cabrol's "worst-case scenario" occurs, the fund would return 2 percent.

This "yield enhancement" is to be achieved through the use of "a diversified program of options strategies. We will use long spread, short spread and occasional intraday trades," said Mr. Cabrol.

More than 90 percent of the fund's capital will be committed to orthodox money-market instruments. The rest of

the money will go into fixed interest options and currency options. A smaller role in the options element of the fund will be allotted to stock index-related contracts, and the fund may also occasionally trade in commodity contracts.

Shares in the fund, which is regulated by the Commission des Opérations de Bourse, or COB, and domiciled in France, are currently trading at just over 251,000 French francs (\$47,000). The fund is not available to U.S. residents or citizens.

There is an annual management fee of 0.5 percent. An incentive fee of 20 percent of net profits made on the options strategy part of the fund is also levied.

For more information, call Smith Barney Asset Management France in Paris at (33 1) 53 70 35 45.

Guernsey-Listed Funds Grew 10%, to 308 in 1994

Mutual funds under management in the tax-privileged Channel Island location of Guernsey grew in 1994 "despite a poor investment year," according to the Guernsey Financial Services Commission.

The number of funds registered in Guernsey rose to a record 308, up some 10 percent on the year. However, the net value of assets under management in open-ended funds, calculated in pounds, fell 5 percent, down £243 million (\$380 million) to £7.9 billion. The value of closed-ended fund assets fell back 4.4 percent to £3.6 billion by the end of 1994.



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THE MONEY REPORT

A Universal Figure of Scorn: Every Society Hates the Tax Man

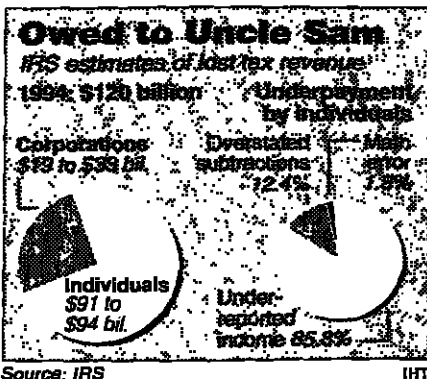
By Baie Netzer

If there is one trait uniting citizens in countries around the world, it is a deep hatred for confusing, bureaucratic and burdensome income tax, social security and health care systems. Perhaps for that reason, many view the defrauding of these systems as almost justifiable. The little guy, the rationalization goes, needs a break.

In one recent survey, for instance, German taxpayers admitted that they were more willing to cheat on their taxes because they did not feel the government was giving them full value for their money.

Moreover, the German government appears to have compounded this problem with recent attempts to increase tax revenues. Tax-law changes, such as the imposition of a 30 percent withholding tax on interest income, have caused scores of Germans to transport their savings over the border to Luxembourg, where no withholding tax exists. Some later claim the income they receive on their annual income tax returns; some don't.

In the United States, complaining about taxes is the one pastime that might possibly be more popular than baseball or



picnics. When the bill for local, state and federal government taxes is added up each April, a chorus proclaiming "wasteful government," and "corporate loopholes" rises in volume.

And an important loophole for individuals may have been closed this week. Wealthy individuals who renounce U.S. citizenship have so far been able to avoid liability to U.S. taxes. If a proposal to close off this option is passed by Congress it will have retroactive effect, starting

Feb. 6. It is estimated that the change would bring in an extra \$2.4 billion of tax revenue over the next five years.

In 1986 the IRS stopped fraudulent allowance claims for non-existent children by asking for their social security numbers. Some 6 million "children" instantly disappeared, underscoring the point that individual malfeasance does more damage than the corporate equivalent.

Estimates of the so-called corporate "tax gap," or the amount of corporate income tax owed the U.S. government but not paid, ranged from \$19 billion to \$33 billion for 1992. The gap created by individual tax payers was almost three times higher, estimated at \$91 to \$94 billion, according to the Internal Revenue Service.

"We find most tax evasion in areas of the economy where people deal primarily in cash," said Wilson Fadely, a spokesman for the IRS. "That includes waitresses who don't report \$100 in tips, small business owners who are paid in cash, and certain professionals, like attorneys and doctors."

Large-scale tax evasion is generally pursued as a criminal offense by the IRS. In 1993, for instance, the agency reported 1,550 convictions for money laundering or violation of financial compliance failures.

There were almost 1,300 convictions for narcotic-related tax crimes, 227 rulings against organized crime, and 114 public corruption convictions against government employees or elected officials.

Tax evasion involving smaller amounts is generally not prosecuted as a criminal offense, according to Mr. Fadely. Instead, the agency uses its audit process to assess taxes due plus interest.

But with governments around the world in need of more revenues, officials in a number of countries are cracking down on tax evasion. In Manila, for instance, Philippine officials have announced sweeping tax changes, including computerization, to increase revenues. Only about 2 million of the 65 million Filipinos currently pay taxes.

"The tax system has become so complicated and full of nooks and crannies within which the unscrupulous can hide," said Roberto de Ocampo, the Philippine finance secretary, in announcing the reforms.

In Germany this month, tax officials raided the offices of H.C.M. Hypo Capital Management Investment GmbH, an asset management unit of a Bavarian bank. Executives at the bank denied allegations

that clients were evading taxes by investing money abroad.

The raid in Munich followed a highly publicized search of Dresdner Bank offices in Frankfurt and Düsseldorf a little over a year ago. German bankers challenged the raid in court, claiming a random seizure of documents violated bank privacy traditions. Government authorities argued that the raid was justified and charged Dresdner with abetting tax evasion by funneling untaxed money to Luxembourg accounts. A German court upheld the legality of the raid.

In the United States, the IRS has been conducting a two-year amnesty campaign aimed at the estimated 7 million Americans who do not file any taxes whatsoever. "We're encouraging people to come in and talk to us because we realize that a lot of people stop filing because a family emergency comes up and then they're afraid to start filing again," said Mr. Fadely. "If they come to us now, they'll still owe back taxes and interest but we won't prosecute them."

America's health-care system is another arena providing broad opportunity to commit fraud, experts say. The general estimate is that 10 percent of all expenditures on health care is lost to fraud and

abuse. In 1994, an estimated \$100 billion of the \$1 trillion spent on health care was absorbed by fraud. That represents an increase of 25 percent over the \$800 billion lost to fraud in 1992.

The Health Insurance Association of America found that 65 percent of the fraud investigations conducted in 1992 concerned fraud by health care providers while the remaining 35 percent concerned consumer fraud. About 40 percent of the consumer fraud cases involved claims.

Even the recent move towards health management organizations has not eliminated the incidence of fraud, according to Kathleen Fyfe, director of payment systems for the association.

For instance, under a traditional system of payment reimbursement, a doctor might run unnecessary tests in order to justify a diagnosis during a simple annual check-up. (Check-ups are normally ineligible for insurance coverage.) In an HMO program, doctors may be more likely to "undertreat" a patient in order to reduce their costs and retain more of the fixed sum an insurance company provides.

"There's a different incentive to commit fraud but it's still an incentive," said Ms. Fyfe. "Basically, there are all kinds of ways to rip off the system."

THE FUND PERFORMANCE FOCUS

Herald INTERNATIONAL Tribune

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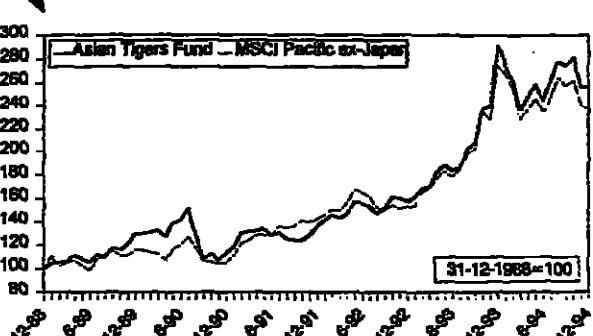
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The I.H.T. would like to remind its readers that past performance is no guarantee of future results and that the value of an investment and the income from it can go down as well as up.

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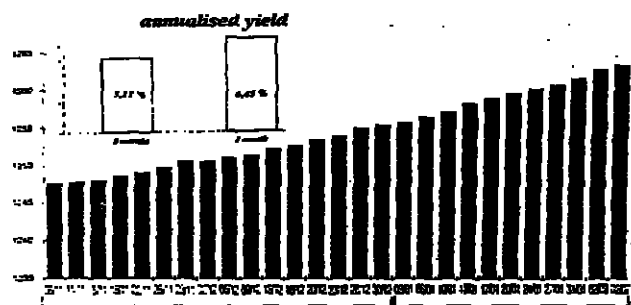
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For further information on ABN AMRO Asset Management contact: Mr. Johan Craas, ABN AMRO Asset Management, Foppeningade 22, PAC 3270, P.O. Box 283, 1000 EA Amsterdam, Tel: 31-20-629 32 55, Fax: 31-20-629 47 36.

DNP

Inter Cash USD

Inter Cash, a Luxembourg short term umbrella fund was created by DNP in September 1989. It is made up of seven sub-funds, each one invested mainly in one of the main world currencies: Dollar, Deutsche Mark, ECU, Sterling, French Franc, Swiss Franc, Yen.



Renewed interest for short term investment funds guaranteeing an attractive yield. In view of the present lack of visibility on many of the markets, a good option would be to come back to a straight forward, liquid means of investment aiming at a gradual, regular rise in asset value and likely to keep in line with rising interest rates.

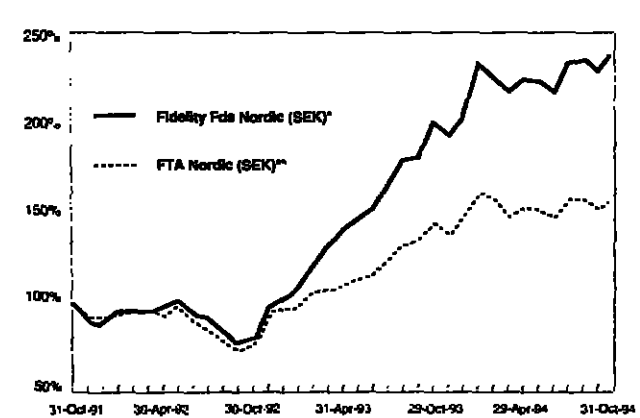
A growing attraction of short term Dollar investments.

The strong economic growth in the USA prompted seven successive rises in US short term interest rates since 4th February 1994 (the most recent on 31 January 1995) in order to ward off inflationary pressures. This upward move, which does not seem to have peaked yet, brought yields on short term Dollar investments to attractive levels (around 8% on the three months). Furthermore, this yield should gradually encourage a flow of capital towards the dollar which could thus strengthen slightly.

Active fund management.

Almost half of the assets in the sub-fund are currently invested in very short term interbank investments (up to 3 months). The remaining 50% is invested in fixed rate instruments which maturity of 6 months/one year as well as floating rates which are particularly attractive, benefiting from the present upward trend in US short term interest rates.

Fidelity Investments



Data Source: Microport Ltd. Office: Office, gross income re-invested.

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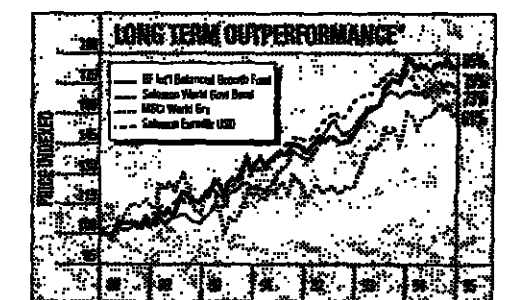
The performance of Fidelity Nordic Fund also typifies Fidelity's careful "stockpicking" approach to investment. We don't rely on bought-in research. Instead, every year our experts on the ground visit or contact 40,000+ companies world-wide in search of investment opportunities. In Europe alone we made over 2,000 company contacts last year. It's a highly successful approach that has helped make us the largest independent investment management organisation in the world.

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* The fund includes investments in US companies and an affiliate of Fidelity Investments International.

** Source: Microport Ltd. NAV: 1989: 100; 1994: 251.35

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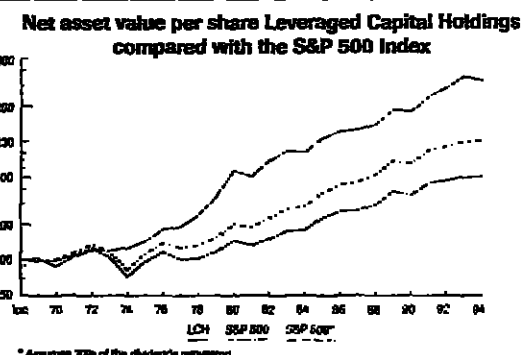
* Source: Microport Ltd. NAV: 1989: 100; 1994: 201.35

** Source: Microport Ltd. NAV: 1989: 100; 1994: 201.35

*** Source: Microport Ltd. NAV: 1989: 100; 1994: 201.35

Leveraged Capital Holdings

25th anniversary



Leveraged Capital Holdings N.V., a joint initiative of the Edmond de Rothschild Group and MeesPierson, was established in the Netherlands Antilles in 1969 as an open-end multi-manager fund. Leveraged Capital Holdings invests in U.S. securities through a number of offshore funds managed by carefully selected fund managers.

The principle objective of the Fund is to provide investors with long term capital appreciation and reduced volatility through a diversification of different management styles.

With more than \$50 million now under management, this Fund has achieved a 15% annualized return on average over the past 25 years, as against less than 10% for the US stock market reflected by the S&P 500 Index (with 70% of dividends reinvested).

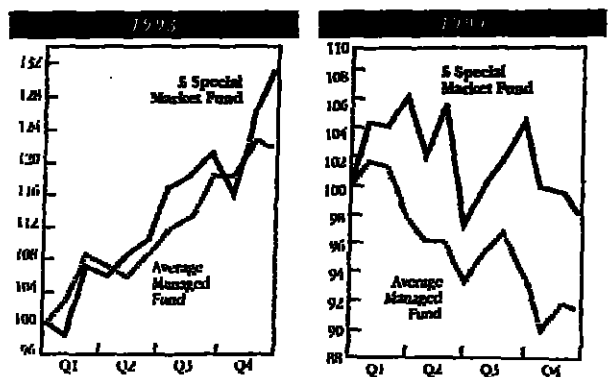
The shares are listed on the Amsterdam Stock Exchange.

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The Performance Edge

Old Mutual International (Guernsey)



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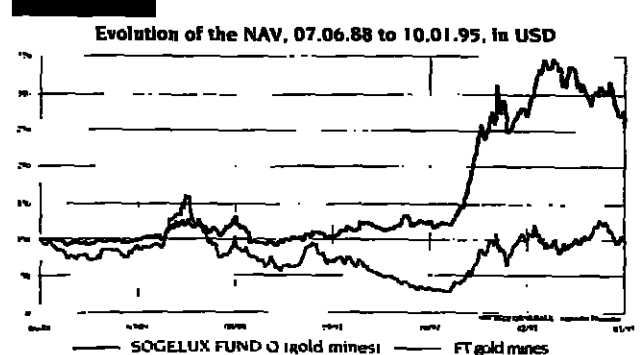
In such conditions, the flexibility of the Special Market Fund and the skills of Old Mutual Portfolio Managers gave us a valuable edge. With the ability to move freely between assets - equities, bonds, cash - and markets, 1994 saw the Fund make a well-timed retreat to a more defensive position. We couldn't make a full pause out of a new's car, but our ability to make the best of prevailing investment conditions was clearly demonstrated.

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Mining and Gold Instruments



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- 1 diversified world bond compartment denominated in USD.
- 6 equity compartments specialized in North America, Europe, Pacific, RIM, Growth countries and sectors. Mining and gold instruments.
- 1 diversified world equity compartment denominated in USD.
- 2 short term compartments denominated in French Franc and in ECU.

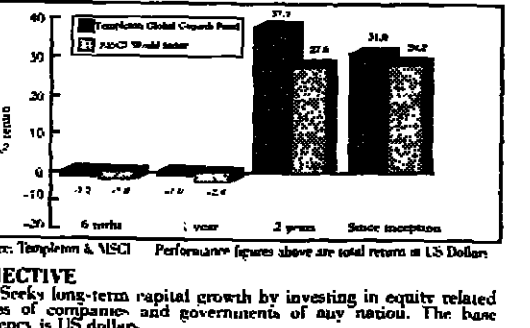
Sogelux Q compartment invests in securities related to precious metals and rare minerals, and occasionally raw materials.

Small and medium size companies are particularly favored, which will grow and prosper regardless of the evolution of gold prices. Given the importance of the existing stocks of metal, both public and private, the fund does not use any kind of leverage.

The high rise in gold prices is only considered as an additional potential bonus for Sogelux Q shareholders.

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(part of the Templeton Global Strategy Funds)



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COMMENTS

12 to 18 months ago our analysts found a large number of undervalued stocks in the commodities sector where it was fairly clear that capacity constraints were likely to force price rises as some of the world's economies emerged from recession. This has occurred, but with the significant by-product that bond markets have again begun to worry about inflation generally. This has also impacted equity markets as bond yields rose to discount higher inflation, some of this undervaluation has now been corrected and the fund is unlikely to increase its weighting in this area. More recently, our analysis has revealed good value in the food retailing and pharmaceuticals sectors. Companies in these sectors generally are highly cash generative and demand for their products is fairly stable over the course of the economic cycle. While the bid for Wellcome has realized some of the value that we identified in the pharmaceuticals sector, we expect to hold on our exposure to both the pharmaceuticals and food retail sectors in the coming months.

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THE MONEY REPORT

In the War Against Credit Card Fraud, a Technological Arms Race

By Barbara Wall

In the battle against card fraudsters, Visa has introduced a new high-tech electronic device that aims to spot fraud within hours of the transaction taking place and long before the fraud is actually reported.

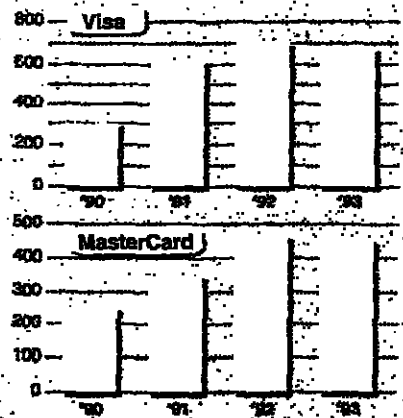
The "cardholder risk identification service," or CRIS, will use the information supplied by Visa's global computer network to generate a risk score for each authorized transaction. If the score exceeds a predetermined threshold, a warning message is sent to the card issuing bank, which then checks the authenticity of the transaction with the cardholder. The system has just been introduced in Spain, following a successful trial period in the United States, where fraud savings of over \$23 million were recorded.

CRIS is one of a number of initiatives employed by Visa to reduce fraud. MasterCard, meanwhile, has invested a small fortune in "smart card" technology, with a view to creating the ultimate in fraud-proof plastic. A spokesman for MasterCard says that chip technology is the best means of fighting card crime. Other issuers have experimented with holograms, photographs and additional personalized identification devices.

This activity seems to be doing the trick. Visa card fraud in Europe, the Middle East and Africa dropped by more than 26 percent in 1994, meaning that fraud ac-

Credit Card Fraud

Worldwide estimates, \$ millions



Source: Lafferty Publications

counted for only 0.07 percent of total sales volume. MasterCard, American Express and Diners Club also reported a significant drop in worldwide card fraud, though the companies admit that they cannot afford to be complacent.

Last year card fraud cost around £165 million (\$258 million) in Britain alone. Richard Martin, editor of Cards International, a trade journal for the industry, says that the card market is just too lucrative for fraudsters to abandon without a fight.

"As fraud detection methods become increasingly high-tech, card fraudsters are employing more sophisticated methods to dupe the industry. Counterfeiting, which demands a great deal of skill, continues to foil card issuers, and the word is that this category of card fraud is increasing," he said.

Last year MasterCard reported a 66 percent increase in counterfeit fraud. Although Visa's counterfeit fraud fell 15.5 percent in the first quarter of 1994, Robert Littas, vice president of risk management and security for Visa, concedes that it remains a major problem, accounting for at least 10 percent of all Visa card fraud.

"In many counterfeit racketeers the fraudsters work with dishonest merchants. Imprints of customers' cards are passed on to the counterfeiters for a fee. Once the fraudsters get hold of the imprints it is relatively easy to manufacture dummy cards," Mr. Littas said. "Even the magnetic stripe on the back of the plastic can be duplicated, though this demands a great deal of skill."

"The problem is acute in tourist resorts," Mr. Martin said, "especially in regions where electronic authorization remains a relatively new concept. Major trouble spots include the Far East — most notably China — and some of the popular Mediterranean holiday destinations."

He warns that the more prestigious the card, the greater is the risk that it will be attract unwelcome attention. "The virtual

unlimited spend on some of these cards acts as a powerful magnet," he said. "Fraudsters are also aware that bearers of prestige cards are generally subject to less scrutiny than standard cardholders when flexing their plastic in retail outlets."

While the banks must shoulder the cost of counterfeit fraud, the cardholder is often held responsible for losses incurred prior to a card being reported lost or stolen. Banks in Britain and the Netherlands limit cardholder liability to 150 Ecus

(about \$185). However, according to BEUC, the European Consumer's Association, certain banks in France, Portugal, Belgium and Spain will hold the client fully responsible for losses if the personal identification number (PIN) has been used in the fraudulent transaction, even in cases where no gross negligence is involved.

Reports of fraud occurring at automated teller machines is a source of growing concern amongst banks and law enforce-

ment agencies. "Although violent crimes — where cardholders are forced to reveal the PIN under duress — are not that common, ATMs have become the principle mode of cash withdrawal these days and organized criminals are continually looking for new ways to compromise the system," said John Newton, a police officer in London who specializes in card fraud-prevention techniques. "As soon as one loophole is plugged, another one opens up."

Nobby's Sorry, but Not Untypical, Example

ONE category of card fraud that is widespread and virtually impossible to detect involves fraudulent use of the card expiry date and the card number. Terrifyingly simplistic, but effective nonetheless, cardholders can be victims of fraud without the cards ever leaving their possession.

If you are in the habit of making hotel reservations or booking theater tickets with your card, you probably wouldn't think twice about revealing card details over the telephone. Unfortunately, these details can also be used to make fraudulent purchases by telephone. Similarly,

when paying by card in a restaurant or retail outlet you may be required to sign a chit — fraudsters can use details on discarded carbons to make purchases by phone. The victim may not even discover the fraud for several weeks.

On a routine business trip to London last November, Norbert (Nobby) to his friends) used his Crédit Lyonnais gold card to pay for meals and hotel bills. He is sure that the card was with him at all times during his stay. Nonetheless, fraudsters managed to spend around £4,000 using Nobby's card details.

"The fraud came to light when I returned to Paris and Crédit Lyonnais que-

ried an account transaction for £2,000. Somehow, my card details had been used to purchase a vast quantity of food from a wholesale grocery business in Southall, London. On further investigation, I discovered that the same details had also been used for a number of smaller purchases. All of these transactions had been arranged over the telephone," he said.

Crédit Lyonnais has agreed to reimburse the money that Nobby lost, though this may take some time. Meanwhile, Nobby's account remains overdrawn to the tune of £4,000.

—BARBARA WALL

The BCCI Affair Poses Questions Still Unanswered

By Martin Baker

FEW things have emerged with any clarity from the sadness surrounding the BCCI affair. But individual investors who want to avoid the same kind of catastrophic mistake as BCCI customers need to filter out those points of certainty and organize their financial planning accordingly.

So what can be said with conviction about the BCCI case from the individual investor's perspective?

The first point of certainty is devastatingly simple: The customers of the collapsed bank have been kept out of their money for years. Part of the difficulty they have experienced in retrieving even a small percentage of what they are owed is the uncertainty that still surrounds the exact extent of the losses. Commentators' estimates keep edging upward, with a hole in the accounts of some \$10 billion or so now being favored, but the final amount of the loss is still unclear more than three years later.

Hopes of an early partial payment by the bank's liquidators have evaporated in legal wrangles. A Luxembourg court cleared the way for a payment by majority shareholders of \$1.8 billion — representing about 15 cents on the dollar of investors' claims — at the end of last month. But even that payment may not be made quickly because of the possibility of an appeal. Claimants in the United Arab Emirates may do better; last week-end it emerged that the 30,000 creditors there could expect to receive around 40 cents on the dollar in a few months' time.

Point of certainty number two is that if investors are looking for a bank to be efficiently regulated, they should not expect even well-respected international authorities to share the job of principal regulator. BCCI had branches in Britain, Luxembourg and the Cayman Islands. The collapse of the bank has precipitated an undignified bout of mutual recrimination that has only served to slow down the resolution of the affair and the distribution to creditors of such assets still held in the name of BCCI.

The mess surrounding BCCI has called into question the very idea of regulation. Can it work at all? Can it work internationally?

Richard C. Breeden, ex-chairman of the Securities and Exchange Commission, told this newspaper just before his retirement in 1993 that: "It's better to have market evolution

and regulators adjust to what the market is doing rather than have regulators set rules by which the markets have to operate."

Mr. Breeden was speaking about the regulation of derivative trading, but the principle — that regulation is a retrospective business, one of following rather than leading — is illuminating. Many commentators argue that trying to follow across international borders is almost impossible, despite the best efforts of regulators to share information.

But all this is, to put it politely, arcane and theoretical. International investors looking to place their money need a set of working guidelines to help them identify and avoid the next — and there will be another — BCCI.

"Two of the most important points to consider are the quality of the local system of regulation pertaining to the institution or product, and who are the people behind that institution or product," said Paul Harris, a London-based partner in the international law firm, Linklaters & Paines.

Although some would argue with the idea that regulators can be relied on, given the supposed quality of those regulating BCCI, few would quibble with Mr. Harris' second suggestion. Checking the professional standing, asset base and general reputation of an institution is a good way of avoiding the next BCCI. And bear in mind that no institution will promote itself as being anything other than 100 percent safe.

One factor that does work in the investors' favor here is the market. It is a safe bet that in a competitive market like financial services the yields on similar products will themselves be similar.

The rate, for example, applicable to Swiss francs fluctuates but the variations are minute on a day-to-day basis.

"Any institution or product that is offering a return that is significantly out of line with those in the prevailing market should be examined with considerable care," said Mr. Harris.

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[illegible]

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In a Golden

By **Dicky Lester**

SADLY, the first test of the fraudster's ability to make good.

The growing markets and money can be made in countries where the government is corrupt, the criminals are rich, and the spirit is free.

As investors move into the nation, individuals and some top-opening doors.

In a case of a fraudster, country and the government are some of the best places to find a beguiling third country.

deciding where the crime falls and the criminals are being criminals, he be the best of regulators.

Faced with government problems, the individual and the increasing crime sector for the Krell.

interest in the government based on the of the main.

Founded in 1972, the firm from a single private investment fund of about \$100 million.

It now has offices in London, New York, and handled the government.

"The government government."

Best Performance

Leading mutual funds for the year ended 12/31/87

Overseas

- MIM US Fund 15.2%
- CIU PP 14.8%
- Discretionary 14.5%
- JP Range 14.3%
- Colombian 14.1%
- Peter D.F. 13.9%
- JPBT Range 13.7%
- Alena 13.5%
- Govern M.S. 13.3%
- OTI-France 13.1%
- Thornhill 12.9%
- Govest M.S. 12.7%
- EMI 12.5%
- Chifurms 12.3%
- Chifurms 12.1%
- Piedt T.F. 11.9%
- CMI Value 11.7%
- OMI G.F. 11.5%
- Actions 11.3%
- Parkins 11.1%
- Royal Life 10.9%
- Govern M.S. 10.7%
- WILP 10.5%
- BEL Invest 10.3%
- Bond Value 10.1%
- ELMI Ital 9.9%
- Mercury 9.7%
- BB-Hall 9.5%
- Beckman 9.3%
- G-Edqui 9.1%
- G-Edqui 8.9%
- CMI Insurance 8.7%
- MCM Italy Fund 8.5%
- CS Italy Fund 8.3%
- Sequoia Fund 8.1%
- ItalValor 7.9%
- KBP Security 7.7%
- Artos 1 7.5%
- Hansard US 7.3%
- Orbis Leveraged 7.1%
- Cindam 6.9%
- Merchand 6.7%
- NOBAS Action 6.5%
- CONDO TRAC 6.3%
- Buchanan 6.1%
- Royal Life 5.9%
- N & P Smaller 5.7%
- Heartland 5.5%
- Security L.V. 5.3%
- KBP Security 5.1%
- Artos 1 4.9%
- Artos 2 4.7%
- Royal Life 4.5%
- Hansard 4.3%
- Value Line 4.1%
- Hansard 3.9%
- Selection Series 3.7%

Overseas Year-to-Date January 31, 1988

- SBC Bond 15.2%
- Gibbs 14.8%
- Osi-Inch 14.5%
- MIM US 14.3%
- MIM US 14.1%
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Page 100/200

THE MONEY REPORT

In a Golden Age for Larceny, Kroll Associates Rides Herd

By Digby Lamer

SADLY, despite tighter financial regulation in many investment centers around the world, fraudsters have never had it so good.

The growing globalization of markets and the speed at which money can be moved between countries thanks to improved telecommunications has given criminals new opportunities to spirit cash away.

As investors spread out internationally it has also become more difficult for regulators in individual countries to prevent some types of fraud from happening or to trap the wrongdoers.

In a case, for example, where a fraudster is based in one country and takes money from someone in a second country in a bogus deal organized in a third country, the problem of deciding whose jurisdiction the crime falls into — let alone the intricate diplomacy needed to bring criminals to justice — can be beyond the reach of many regulators.

Faced with the inability of governments to solve these problems, businesses, banks and individual investors are increasingly turning to the private sector for help.

Kroll Associates, a firm of international private investigators based in New York, is one of the main beneficiaries.

Founded by Jules Kroll in 1972, the firm has expanded from a single New York office to become the world's largest private investigator, with revenue of about \$60 million a year. It now has a staff of 250 in 10 offices worldwide. Last year, it handled more than 2,500 cases.

"The advantage we have over governments," said Bruce Dol-



Jules Kroll in his New York office.

Charles Higgins Jr./NYT

lar, the Paris-based managing director of Kroll Associates France, "is that we can often move into different countries and begin gathering information without the problem of sticking to diplomatic channels. We're careful not to tread on any toes and we are always within the law, but most governments simply do not have the resources to do what we do — even presuming they wanted to."

He adds that getting together enough information to build a case can often also solve the problem of jurisdiction.

"Individual governments are mainly willing to cooperate in fighting crime, it's just difficult for them to do. So if you present them with all the information they need to prosecute they usually do it."

The expansion of Kroll Associates began in the mid- to late-1980s. The mergers and acquisitions boom at that time brought

a number of new players to the market, and investment banks wanted to check them out before agreeing to expensive deals.

"In the late 1980s we once had a call from a bank that was about to strike what looked like a perfectly good deal, but our client kept having this nagging fantasy about the firm, 'The Big Easy.' What if they were just laundering money for the mob? Well, we checked it out and, guess what? It was a laundering operation for the mob."

At the same time, as the number of hostile takeover bids increased, corporations being targeted by predators began turning to Kroll to dig up information about their adversaries.

One celebrated case, which has been widely reported, was against the Miami-based corporate raider, Victor Posner, on behalf of the alcohol and pharmaceutical distributor, Foremost-McKesson. The private

investigator took aerial photographs of one of Mr. Posner's businesses, Sharon Steel — which was supposedly the central pillar in Mr. Posner's takeover bid — and concluded it had fewer assets than had been claimed. The deal failed as a result.

Kroll Associates was then still solely based in the United States with a staff of around 30.

Mr. Dollar, who joined the firm in 1984, said that despite the rapid expansion of investigative work at that time, the firm was always aware its progress could be short-lived. "We knew the mergers and acquisitions boom wouldn't last forever and that we needed to diversify," he said.

Now, apart from investigating financial fraud and digging up hidden information on specific corporations, Kroll offers a range of other services, from tracking down lost assets to offering risk management services and computer security.

In part, Kroll has benefited from the expansion of sometimes complex financial products during the last 10 years.

One of the most common types of fraud in the 1990s involves false letters of credit — something Mr. Dollar said has grown rapidly since 1992.

Although this particular scam can take one of several forms, he said there are a number of factors that make it easier to spot.

In its most basic form, a broker will offer his client a letter of credit — most commonly worth \$10 million — at a knock-down price. The deal is that the bank that issued the note will buy it back at its face value in a year's time, giving the investor a healthy profit.

To prevent the client digging around and discovering that the letter of credit is false, the broker insists that the deal is one of such sensitivity that even if the bank were contacted it would deny the document existed. The investor may even be asked to sign a document forbidding contact with the bank on pain of losing the contract or suffering financial penalties.

Inevitably, the deal never comes off and the broker disappears with the investor's \$10 million.

As more examples of this type of fraud came to light in the United States, Asia and especially in Europe, Kroll Associates decided to issue a warning to its clients outlining aspects that many of the stings had in common.

The \$10 million figure was one feature. In addition though, Kroll noted that most of the forged letters of credit were called "prime bank notes" or "prime bank guarantees" — neither of which exist.

The tricksters also made excessive reference to well known establishments or personalities in a bid to add credence to their claims.

Despite the current similarities between many letters of credit frauds Mr. Dollar says criminals are constantly adapting it. "It's just like the way insects and rats become immune to certain types of poison."

Some fraudsters even use the growing awareness of letters of credit fraud to their advantage, Mr. Dollar said. "They point out there are some sharp operators in the market and that's why the client is better off doing business with reputable brokers — like themselves."

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SPORTS

FINA Proposes 'Bold Initiative' To Fight Drugs

Compiled by Our Staff From Dispatches

LAUSANNE, Switzerland — Swimming's governing body announced plans on Friday for "bold new initiatives" to combat doping in the sport and said it would send investigators to China to look into a spate of positive drug tests at last year's Asian Games.

The federation, FINA, said the crackdown included increased testing, stiffer penalties and an investigation in China.

Under the plan, swimmers using steroids face a first-offense ban of more than two years and could see their previous records wiped from the books. FINA also said it would increase the number of out-of-competition dope tests this year.

"I am pleased that we have consensus on a number of new approaches to control and hopefully eliminate the abuses of drugs that are possible in our sport," said FINA's president, Mustapha Larfaoui.

FINA has come under strong international pressure to take action, particularly following a spate of positive drug tests involving Chinese swimmers.

Seven Chinese swimmers, including world champions Lu Bin and Yang Aihua, tested positive for a banned steroid at the Asian Games in October in Hiroshima. All were banned for two years.

In Tokyo on Friday, the Kyoto news agency reported that the Chinese Olympic Committee had returned all the medals won by the women in Hiroshima.

FINA said it would send a top-level delegation to China in the first week of March to "investigate the involvement of coaches, doctors and team leaders" in the doping scandals.

Chinese officials have denied the existence of a systematic, state-sponsored doping program. But they have recently acknowledged that some coaches, doctors or other officials could be involved in the doping cases.

The proposals were worked out at a two-day meeting this week of FINA executives and medical experts.

As well as agreeing to step up out-of-competition dope tests, the officials agreed to call for an extraordinary FINA congress.

The congress, planned for Rio de Janeiro at the end of the year, would consider five proposed rule changes:

• the rule on a two-year ban for first use of steroids should be changed to a "minimum" of two years;

• FINA should introduce "retroactive sanctions," with suspensions starting before the date of a positive test;

• sanctions be imposed against national federations of countries where positive tests have been recorded;

• federations be obliged to investigate coaches, doctors, team leaders and any others involved in doping cases;

• mandatory drug tests be conducted within 48 hours for any swimmer breaking a world record. (AP, Reuters, AFP)

NBA Sends Its Champ To Event In London

The Associated Press

LONDON — The National Basketball Association champions will be coming to London in October.

For the first time, the NBA will send its champion team to the McDonald's Championship — formerly known as the McDonald's Open — when the event is staged at the London Arena on Oct. 19-21.

The announcement was made Friday by the NBA commissioner, David Stern, and Boris Stancovic, the secretary-general of the international basketball federation, FIBA.

The statement was released in London and Phoenix, site of Sunday's NBA All-Star Game.

NBA teams have participated in the tournament since its inception in 1987, but this is the first time the league has committed its champion.

"The McDonald's Championship will feature many of the best clubs in the world," Stern said, "and we are proud to continue the NBA's commitment to the event by sending the 1995 NBA champion to represent our league."

The NBA champion's inclusion marks another step in NBA and FIBA efforts to make the tournament a genuine world championship for clubs.

The NBA champion's inclusion marks another step in NBA and FIBA efforts to make the tournament a genuine world championship for clubs.



Golden State's Tim Hardaway (10) led Victor Alexander and Deaver's Mahmoud Abdul-Rauf in a ball chase, and he scored 25 points in the Warriors' 109-101 victory.

make the tournament a genuine world championship for clubs.

The entrants in the 1995 McDonald's Championship will, for the first time, be only championship teams. They will include the champions of the English Basketball League and the National Basketball League of Australia, with both countries represented for the first time.

The other clubs in the six-team tournament will be the winners of the European Championship, to be held in Zaragoza, Spain, on April 11-13. Two other European national champions will be invited.

■ Maxwell Blames Fan

Vernon Maxwell admits he made a mistake — but not that big a mistake, The Associated Press reported from Houston.

The Houston Rockets guard said Thursday that he was appealing the 10-game suspension and \$20,000 fine levied by the NBA for going into the stands in Portland and punching a fan Monday night.

"I am appealing to draw the public's attention to the conduct of this fan, because I don't believe I or my teammates or any other professional athletes deserve to be sub-

jected to this kind of insult," Maxwell said.

He said his fine should have been lighter because the Portland fan was shouting racial obscenities and insults at him. The fan denied doing so.

"I hope my case and my appeal will draw enough public attention to this problem so something is done about it," Maxwell said. "Some reasonable guideline for appropriate fan conduct needs to be adopted. It shouldn't be open season on the players."

Maxwell will have 20 days to file his appeal.

Duke Stops Skid And Georgia Tech

The Associated Press

The Cameron Crazies had stormed the court before, but never for a reason like this.

More than 100 fans poured onto the court at Cameron Indoor Stadium on Thursday night simply because Duke won an Atlantic Coast Conference game, 77-70 over No. 18 Georgia Tech.

It was Duke's first conference victory all season and it

snapped a four-game home losing streak.

The Blue Devils broke their school-record ACC losing streak and won their second game in their last 11.

Coach Mike Krzyzewski has been sidelined since the second game of the losing streak as he continues to recuperate from back surgery. Didn't help matters. In fact, it made them quite difficult, especially on the interim coach, Pete Gaudet.

Duke had won at Notre Dame on Jan. 24 to end an overall losing streak, but the conference skid continued.

Duke had come close to getting that first ACC triumph against some high-caliber competition lately, losing by two points to No. 1 North Carolina in double overtime and by the same margin at No. 8 Maryland.

Georgia Tech had been one of the ACC's hottest teams, winning straight games by an average of 17.3 points without leading scorer and rebounder James Forrest, who is side-

lined with a broken hand. But the Yellow Jackets turned it over twice after taking a 68-67 lead with 2:35 to play.

No. 6 UCLA 74, Washington 66: The Bruins beat the Huskies for the fifth straight time as Ed O'Bannon and George Zidek each scored 17 points. UCLA appeared ready to blow the game open, leading 59-46 with 11:20 to play, but Washington closed to 63-60 before the visitors went on an 11-6 run over the final 7:49.

No. 9 Arizona 84, No. 15 Stanford 73: Damon Stoudamire had 29 points as the Wildcats beat Stanford for the 11th straight time at home and the 15th consecutive time overall. Neither team led by more than four points in the second half until Stoudamire's jumper with 3:23 to go capped a 7-0 spurt for a 74-69 lead.

No. 12 Arkansas 88, Memphis 87: The Razorbacks overcame some horrible free-throw shooting and survived two chances for the victory by visiting Memphis in the final seconds.

The senior center Elmer Martin, making his first start of the season, made two free throws with 32 seconds left to give Arkansas an 88-83 lead. The Tigers closed to within one and had two opportunities to win, but Robert Reed blocked Chris Garner's drive with less than four seconds left and Mingo Johnson's 3-point shot was long at the buzzer.

No. 14 Arizona St. 100, California St. 81: Mario Bennett scored 31 points as the Sun Devils beat the visiting Bears for the third time in four meetings.

SCOREBOARD

NBA Standings

EASTERN CONFERENCE

Atlantic Division

Team	W	L	Pct	GB
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Orlando	27	10	.737	—
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New York	20	16	.552	6 1/2
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Boston	19	17	.513	17 1/2
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New Jersey	19	21	.300	19 1/2
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Miami	17	29	.370	19 1/2
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Philadelphia	14	24	.369	23 1/2
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Washington	11	29	.373	30
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Central Division

Charlotte	31	17	.646	—
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Cleveland	23	19	.546	2 1/2
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Indiana	21	17	.552	3 1/2
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Chicago	22	25	.471	8
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Atlanta	22	26	.458	9
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Albuquerque	19	29	.396	12
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Detroit	17	29	.370	13
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WESTERN CONFERENCE

Midwest Division

Team	W	L	Pct	GB
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Utah	25	13	.659	—
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San Antonio	20	15	.571	5 1/2
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Houston	20	17	.538	5
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Denver	20	24	.455	14
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Dallas	18	26	.409	16
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Minnesota	18	26	.409	16
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Pacific Division

Phoenix	28	18	.611	—
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Seattle	23	12	.659	3 1/2
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L.A. Lakers	29	16	.644	7 1/2
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Portland	20	26	.435	11 1/2
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Sacramento	22	20	.524	11 1/2
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Golden State	20	21	.488	12 1/2
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L.A. Clippers	18	24	.430	16
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THURSDAY'S RESULTS

Golden State	23	24	26-109
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Denver	32	24	23-181
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G. Hardaway	5-14	5-7	25, 37-115
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S.D.:	W. Williams	7-15	0-13	15, 11-21
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Subaru	Golden State	31	20	23-111
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S. (Mullins)	7-15	0-13	15, 11-21
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S. (Mullins)	7-15	0-13	15, 11-21
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S. (Mullins)	7-15	0-13	15, 11-21
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S. (Mullins)	7-15	0-13	15, 11-21
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S. (Mullins)	7-15	0-13	15, 11-21
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S. (Mullins)	7-15	0-13	15, 11-21
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S. (Mullins)	7-15	0-13	15, 11-21
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S. (Mullins)	7-15	0-13	15, 11-21
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Other Major College Scores

EAST

Fairleigh Dickinson	75	Robert Morris	54
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Hartford	84	Duquesne	54
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Long Island U.	76	Mount St. Mary's	54
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Marist	59	Francis	50
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New Hampshire	73	Boston U.	40
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Northeastern	69	Maine	55
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Rider	80	St. Francis	77
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St. Joseph's	56	St. Joseph's	56
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Vermont	68	Drexel	65
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Xavier	60	St. Louis	77
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Yale	77	Yale	77
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Williams Says Italy May Cite Steering In Senna's Death

By Ian Thomsen
International Herald Tribune

LONDON — The official Italian report on the death of Ayrton Senna is expected any day now, and it could lead to criminal charges against the Williams Formula One team, according to the team's director Frank Williams.

"They tend to think the column broke, but we don't know," Williams said, referring to the steering column. "That is what they have talked about a great deal. We haven't seen the car for a proper inspection yet so we are not able to defend ourselves."

"I wait with some trepidation because if they say that the col-

"The big difficulty is, can the teams race in Italy?"

Frank Williams

umn broke then it reflects badly on us," he added. "It could be the start of a long procedure, which would not be a pleasant experience."

If the Italian magistrate conducting the inquiry decides that failure of the steering column was the cause of Senna's 130 mph (210 kph) crash in the San Marino Grand Prix at Imola on May 1, then he will have to decide whether a judge should press charges — perhaps for manslaughter — against the Williams team.

An autopsy revealed that the Brazilian, a three-time world champion, was killed when a piece of the car's suspension pierced his helmet.

His car will be returned to Williams.

"We would be more comfortable with a report we'd had an input into," Williams said on Thursday.

Williams said the team would continue to compete in Italy regardless of the criminal charges. But Formula One might have to reconsider its two races scheduled for Italy this year, including the Italian Grand Prix at Monza, he added.

"The big difficulty is, can the teams race in Italy?" Williams said. "I could be us today, McLaren or Ferrari tomorrow. Death by accident in Italian laws has to have an explanation. Drivers never ever die at the circuit officially. It is a re-

grettable place to have a fatal accident."

The deaths of Senna and Roland Ratzenberger, the Austrian who was killed in crash during practice a day earlier, were the first at a Grand Prix event in 12 years.

The Williams team reportedly made modifications to the steering column after Senna, 34, had complained that he had been seated uncomfortably during the first two races last year. He appeared to have lost steering control while leading at Imola, only his third race with Williams. He made no apparent effort to complete his turn, and his foot was hard on the brake as the car skidded into the concrete wall.

"That accident has affected a lot of people here and been on all our minds," Williams said from his factory in England. "Make no mistake of that. And, of course, he was public property, too."

Despite the trauma of losing the fiercest talent in Formula One — and "easily the best driver to have driven for Williams," the chief said — Williams-Renault went on to retain the constructors' championship.

Williams rated the defending champion, Michael Schumacher of Benetton-Renault, as the favorite this year, but he added that changes in the rules and the return of Senna's rival, Nigel Mansell, could disturb such predictions.

Williams could have signed Mansell this year — he won the drivers' championship in 1992 with Williams — but the team decided to pair David Coulthard with Damon Hill, last year's runner-up to Schumacher. Left with little choice but to sign with McLaren-Mercedes, Mansell will begin the season as underdog.

Williams declined to explain why he preferred Coulthard, 23, to Mansell, 41, who drove the last three races for Williams last year and won the Australian Grand Prix. He did, however, attempt to put some pressure back on Mansell.

"My worst nightmare is Nigel destroying everybody all year, and then we'll look a right bunch of idiots," Williams said. "I think the cars this year will be close and I can see no reason why McLaren should not win the first race," he added. "Nigel is highly motivated to win and is still very quick."



Bob Carpenter of the Devils and Mark Messier scuffled during the Rangers' 4-1 loss.

Top 2 Can't Get Much Better

The Associated Press

The two teams playing the best hockey in the National Hockey League also happen to be in the same division.

Right now, only a point separates the Pittsburgh Penguins from the Quebec Nordiques. "Quebec — when are they going to learn to give up?" said the defenseman Larry Murphy after his Penguins remained unbeaten with a 5-2 victory over the New York Islanders. "We have to be careful now and improve our game."

They can't get much better. With the victory, the Penguins set a team record for their best start in a season (9-0-1) and moved within sight of the NHL record of 15 games without a loss set by the Edmonton Oilers in 1984-85.

The Penguins have accomplished their streak without

Mario Lemieux, who is lost for the season, and the goaltender Tom Barrasso, who is out with an injury.

"It sounds funny to say, but I think Pittsburgh is a harder-working team without Mario,

NHL HIGHLIGHTS

because if things get tough, they usually depend on him to bail them out," said the Islanders' forward Ray Ferraro. "They've shown they are a very deep offensive team."

The Nordiques improved to 9-1-0 by beating Boston, 4-3, and keeping pace with Pittsburgh.

Shawn McEachern scored two goals and Jaromir Jagr had a goal and three assists as the Penguins continued to win without many of their top players. Along

with Lemieux and Barrasso, Kevin Stevens is injured and Luc Robitaille completed his two-game suspension.

Ken Wregget, who has played every minute in goal for the Penguins in Barrasso's absence, stopped 32 shots as Pittsburgh improved to 5-0-1 on the road. Jamie McLeman made 27 saves for the Islanders, and Ferraro scored twice.

Nordiques 4, Bruins 3: In Boston, Quebec's Joe Sakic scored 45 seconds after Wendel Clark broke a 2-2 tie with his third goal of the game.

Clark scored the Nordiques' first three goals, two in the second period and one 5:02 into the third. Sakic went in unassisted at 5:47 to make it 4-2.

The Bruins pulled within one when Adam Oates scored with 37 seconds left to kill Boston's best chance to tie. Fiset had 35 saves for his eighth victory.

Devils 4, Rangers 1: The defenseman Bruce Driver set up three goals to lead New Jersey over the visiting Rangers in the teams' first meeting since their seven-game Eastern Conference final last season.

The Devils jumped to a 2-0 lead as Scott Niedermayer and Claude Lemieux scored power-play goals 1:38 apart in the first period. Brian Noonan converted on a power-play setup just 38 seconds into the third. But Bobby Holik and Tom Chorske added goals for the Devils.

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Usery, His Role in Doubt, Takes a Swing at Owners

By Murray Chass
New York Times Service

NEW YORK — The owners were the ones who agreed to accept the mediator's suggestions as a settlement to the six-month-old baseball strike, but they were the target of his thinly veiled criticism for disclosing his ideas and representing them as his "final recommendation."

In between conversations with the chief representatives of the owners and players, Bill Usery Jr. issued a statement Thursday explaining the background of his effort to suggest a settlement.

"I have learned in the last two days," he concluded the statement, "that a document is being distributed which purports to be my final recommendation. It is not. I have never issued any such document."

Usery, who Thursday showed no signs of leaving or being eased out of the dispute, referred to a two-page release the owners issued late Tuesday. The first page was headed "The Bill Usery Solution" and listed 11 elements of the plan. The second, titled "The Balanced Proposal," was divided into two columns, listing a dozen benefits "Players Get" and nine "Clubs Get."

At their news conference, Donald Fehr and the players did not disclose or discuss details of the mediator's suggestions. But after Fehr learned that the owners had, he returned for a second news conference and commented not only on some of the elements of the plan, but also on what he said was Usery's lack of understanding of some of them.

Fehr said that Usery's position as the mediator had been compromised because his suggestions had been made public.

"The clubs knew that by disclosing these ideas," the union leader said, "it becomes very difficult for Mr. Usery to remain involved."

Usery's status remained unclear. Nobody said or indicated that a change would be forthcoming, and Usery spoke by telephone with Fehr and met

Baseball's Triple Play

A comparison of the three proposals in baseball's labor dispute.

SALARY ARBITRATION

OWNERS Eliminated. Formerly eligible players qualify for restricted free agency, subject to former club's right of first refusal.

USERY Eliminated as of 1996 for players with four years or more of major league service, who would become unrestricted free agents. Eliminated as of 1997 for anyone else eligible (three-year players and 17 percent of two-year players), with those players coming under escalating minimum salaries.

PLAYERS Eliminated in return for unrestricted free agency or eliminated for all but three-year players and eligible two-year players with others qualifying for unrestricted free agency.

MINIMUM SALARIES

OWNERS Salary scale for players during their first four years: \$125,000 first year, \$190,000 for second, \$290,000 for third and either \$500,000 or \$750,000 for fourth, depending on players' ranking.

USERY Escalating scale from \$125,000 to \$1 million, depending on length of service.

PLAYERS \$175,000 with no scale for players beyond first year.

TERM OF NEW AGREEMENT

OWNERS Seven years.

USERY Six years, with right of either side to reopen after four years and submit tax element to binding arbitration.

PLAYERS Four or five years.

The New York Times

with Bud Selig and John Hargrove.

The union, whose comments might have prompted Usery to act, welcomed his statement.

Rich Levin, a management spokesman, defended the owners' release of the suggestions.

"He didn't tell us it shouldn't be distributed, but we distributed it because we wanted people to see what his proposal was," he said. "We recognized it wasn't his final recommendation because the final recommendation was never delivered. But it was a proposal that was presented to us. We thought it was going to go to the president, but it never did. We never knew why."

Dick Conn, Usery's spokesman, said the mediator was upset at the disclosure of his ideas. "It was not a document for distribution," Conn said. "It was a document to spur negotiations and to form a base for both sides to negotiate from."

In his statement, Usery noted that President Bill Clinton got

involved in the dispute based on Usery's Jan. 26 report that the two sides were unlikely to negotiate an agreement by the start of spring training. That is when Clinton gave Usery a Feb. 6 deadline to work out a settlement or send to the White House his recommendations "as to how a settlement could be achieved."

After several days in Washington, Usery related, it was obvious that no further exchange of proposals would produce an agreement.

"Accordingly," he said, "I attempted to communicate my thoughts and recommendations, which could serve as the basis for either an accepted resolution or at least the framework for further discussions to narrow the differences and draw the parties closer to a voluntary settlement. These were discussed orally with the parties but were never presented as a final recommendation either to the parties or to the president."

SIDELINES

FIFA Cancels Youth Cup in Nigeria

ZURICH (AP) — Nigeria's emergence as a soccer power was dealt a major blow Friday when FIFA, soccer's governing body, canceled the African nation's first major international event, the World Youth Championships, due to an outbreak of disease.

The two-week, 16-team tournament for players aged 20 and under was to have been played in four Nigerian cities March 11-26. FIFA said it had to cancel the event following reports of outbreaks of meningitis and cholera in the past few weeks. FIFA said it would discuss an alternative venue next week.

Nigeria reached the second round of last summer's World Cup in the United States and has been tipped as a possible title contender at the next championships in France in 1998.

Ministry Approves Genoa Stadium

GENOA (Reuters) — The Italian Interior Ministry on Friday gave the go-ahead for soccer matches to be held at Genoa's Ferraris stadium, scene of the fatal stabbing of a 24-year-old fan and rioting on Jan. 29.

Ministry officials said the teams Genoa and Sampdoria, which share the stadium, had permission to play in the stadium until the end of the season. The permission was granted on the condition that some building work be undertaken outside the stadium.

For six years — since the stadium was rebuilt for the 1990 World Cup — the security problem has been sidestepped by a temporary order from the mayor of Genoa.

For the Record

Doctors in Stockholm said Friday they would not know for several days or perhaps weeks whether the skier Thomas Fogdö would be paralyzed after a training accident on Tuesday. (Reuters)

Peter Shilton, 45, the former England goalkeeper, whose 125 international appearances is second on soccer's all-time list, signed a short-term contract Friday with the Premier League club Wimbledon. He has not played professionally for 18 months. (AP)

A squad of former major league baseball players will face the German national baseball team on June 3 and 4 in Frankfurt, baseball officials said in New York. (AFP)

Julio Cesar Chavez will fight in his 32d title bout when he defends his WBC super lightweight boxing title April 8 against Italy's Giovanni Parisi in Las Vegas. (AP)

BUREAUCRATICALLY SPEAKING by Alex and Victoria Black

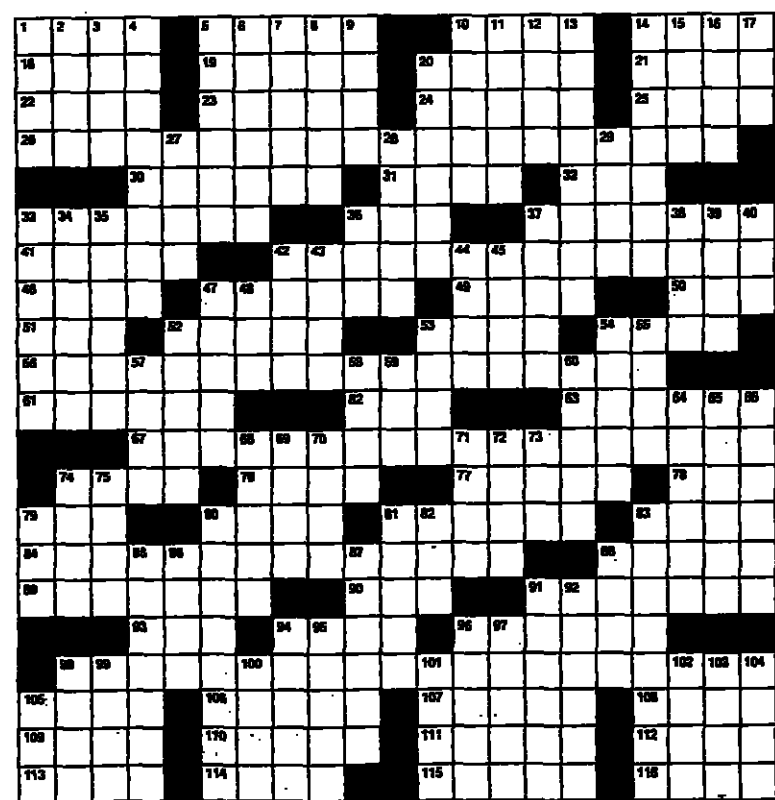
- ACROSS
- Liquor shop order
 - Apple variety
 - Carson predecessor
 - Bag, in dialect
 - One of the Bowls
 - Exemplary
 - when?
 - Final notice
 - Nest eggs, for short
 - Softly
 - Kind of dish
 - Give the slip to
 - Potholes
 - Makes one
 - Grays
 - Wine holder
 - Claims
 - Part of the familia
 - Addition to a letter
 - First game in hotelkeeping
 - Manicurist
 - Projecting angle

- Lesser parts
- Thunder Bay locale: Abbr.
- Schoenberg's "to Napoleon"
- Engraves
- Exfoliate
- Idiosyncrasy
- Parachute attacks
- Store fodder
- Sushi offering
- Shaky start?
- Wristwatch
- Ornery fellow
- Heart-to-heart
- Indispensable
- What " + " means: Abbr.
- "Easy to Be Hard" musical
- Webster, for one
- Roman ethicist
- Utility bill

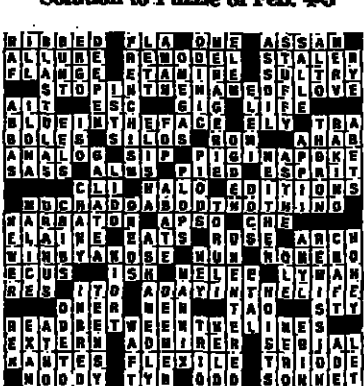
- Timekeeper, of sorts
- Encroachments
- Brimard, the Absent-Minded Professor
- Intellectualizes
- Bus depot abbr.
- Belt
- Detects
- Dust
- Hatcher of "Lois & Clark"
- False front
- Hearing enabled
- Plant pod
- Cereal choice
- Over
- Admiral Byrd book
- 1967 folk album
- Something to break into
- Opposite of always
- Nudges
- Individual figure

- DOWN
- Minimum wage
 - Goddess of gentle winds
 - Tito, e.g.
 - Right of passage
 - It comes as a shock
 - Activities
 - Early TV's "With Judy"
 - Repairs
 - Gin flavoring
 - Slice
 - Pro's foes
 - Port north of Haila
 - Crusts the wheel?
 - Tactful
 - Penetrating wind
 - 1930 hit "The Waltz"
 - It starts in June
 - Tap
 - Prefix with dose
 - Goes belly up
 - Muslim judge
 - Bookcase site
 - Crazy the
 - Vexes
 - It gets a tanning
 - Pay obedience
 - 40's boxer Billy
 - Word with friendly or foe
 - Teah Ming
 - #1 on a table
 - Physics particle
 - Flushed
 - Winter melons: Var.
 - Brisk, as business
 - Uniforms
 - Having a single foot
 - State (David Letterman's alma mater)
 - Bean and others
 - Bushels

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Solution to Puzzle of Feb. 4-5



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